

Stock Code : 2908



Test Rite International Co., Ltd.

2016 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System :

<http://mops.twse.com.tw/>

Test Rite's Annual Report is available at

<http://www.testitegroup.com>

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I. Letter to Shareholders

Dear shareholders,

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

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

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

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

HOLA China showed NT\$ 3.6 bn and net loss of NT\$353 mn in FY2016. It was the most difficult year since we entered into the China market since 2004, but it’s also the best year because we have seen a very clear trend that consumption upgrade has extended from the richest to the middle class. The average sales per ticket in China even exceed that in Taiwan. However, our challenge is to contend with changing behavior of Chinese customers. The way consumers absorb product information and do the purchase has greatly changed. Consequently, our first priority is no longer

relying on opening physical stores, we closed 5 stores instead. By reviewing the profitability of each store, we want to increase the operation efficiency and focus on the region of east and north China where we have already had higher presence and brand awareness. Being able to increase the HOLA brand identity in the region and use E-commerce as supplementary channels to the spread out. As of the cut-off date, Test-Rite Group operated 27 TLW (DIY) stores, 25 HOLA stores in Taiwan, and 33 HOLA stores in China.

Below please find Test-Rite's parent and consolidated operating result FY2016, along with business plan summary for FY2017 and future business strategy. We also included the highlight of possible impacts and challenges from external competition, changes in government regulations and global macroeconomic environment for your reference.

1. Operating result for 2016

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

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

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

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

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

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

2. 2017 business plan and future development strategy

(1) Business plan and managerial principle:

A. Retail Business

- Taiwan: There's no new store opening plan for both TLW and HOLA in 2017. However, physical stores will emphasize on enhancing shopping experiences. We plan to spread out the new experiential concept store after successfully introduced in TLW Shihlin store.
- China: No new store opening plan in 2017. HOLA China will continue reviewing the profitability of each store.
- Ramp up E-commerce product offerings in Taiwan and China
- Through the integration of POS system, we hope to fully eliminate the boundary between Online and Offline in terms of product, payments, membership and marketing.
- Develop the TLW Home Improvement Service Unit and cooperate with construction projects.
- We have already had abundant brand portfolio after rapidly acquiring several brands agency like WMF, KitchenAid, and Honeywell (Water-Cooling Fan) in 2016. We will focus on expansion of existing brands on hand this year.
- Strengthening the sales of Private Label products to improve margin.
- By further integrating merchandising team of Taiwan and China to reach synergies.

B. Trading Business:

- Continue providing value-added services and products to our global partners
- Strengthening the collaboration with strategic alliance.
- Post M&A integration of German subsidiaries and establishment of European Hub.
- Continue integration of trading and retail operations to realize potential synergy.

(2) Future development strategy:

A. Retail Business strategy

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

B. Trading Business strategy

- Continue to leverage in-house design capabilities to provide differentiating products for both trading and retail businesses in order to transform Test-Rite to a products company.
- Both principal and agency maintain existing relationships with trading customers and aggressively pursue potential business opportunities.
- Strengthening the function and services of Shanghai FTZ zone to provide efficient supply chain management services.
- Pursue M&A opportunities for both trading and retail businesses to compliment organic growth of our existing businesses.

3. Potential influence from external competition, regulation and macroeconomic environment

Taiwanese government published a series of policies to cool down the overheated housing market since 2013. The transaction numbers of household has decreased year by year. We expect the situation will be similar in 2017. The chill real-estate market has lowered consumers' demands to replace household items. According to the government department of statistics, the wholesale of household items and building materials dropped at 4.85% and 2.78% YOY separately in 2016, both showing the biggest downturn in the past decade.

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

In China, consumers' behavior to absorb product information and do the purchase has greatly changed. Besides, the authorities have continued to reign in the purported excess spending of wealthy individuals. The result is a substantial slowdown of retail sales. These issues, along with rising labor costs and rents, have significantly increased the challenges of our retail operation in China. However, as the Chinese consumers become more modernized and richer, the increasing demand of improving living environment of home is unchanged. Our goal to become the premier retail operator in home related categories remain unchanged.

Lastly, all staff of Test Rite Group will spare no efforts to adequately plan, and manage our trading, retail and other group businesses in an honest, sincere and dedicated manner, with the objective to improve our balance sheet and further enhance returns on shareholder equity (ROE). We, the management team of Test-Rite, on behalf of all the employees of the company, would like to take this opportunity to thank our shareholders for your continued support and encouragement.

Sincerely yours,

**Chairman
Judy Lee**

II. Company Profile

2.1 Date of Incorporation: August 10th, 1978

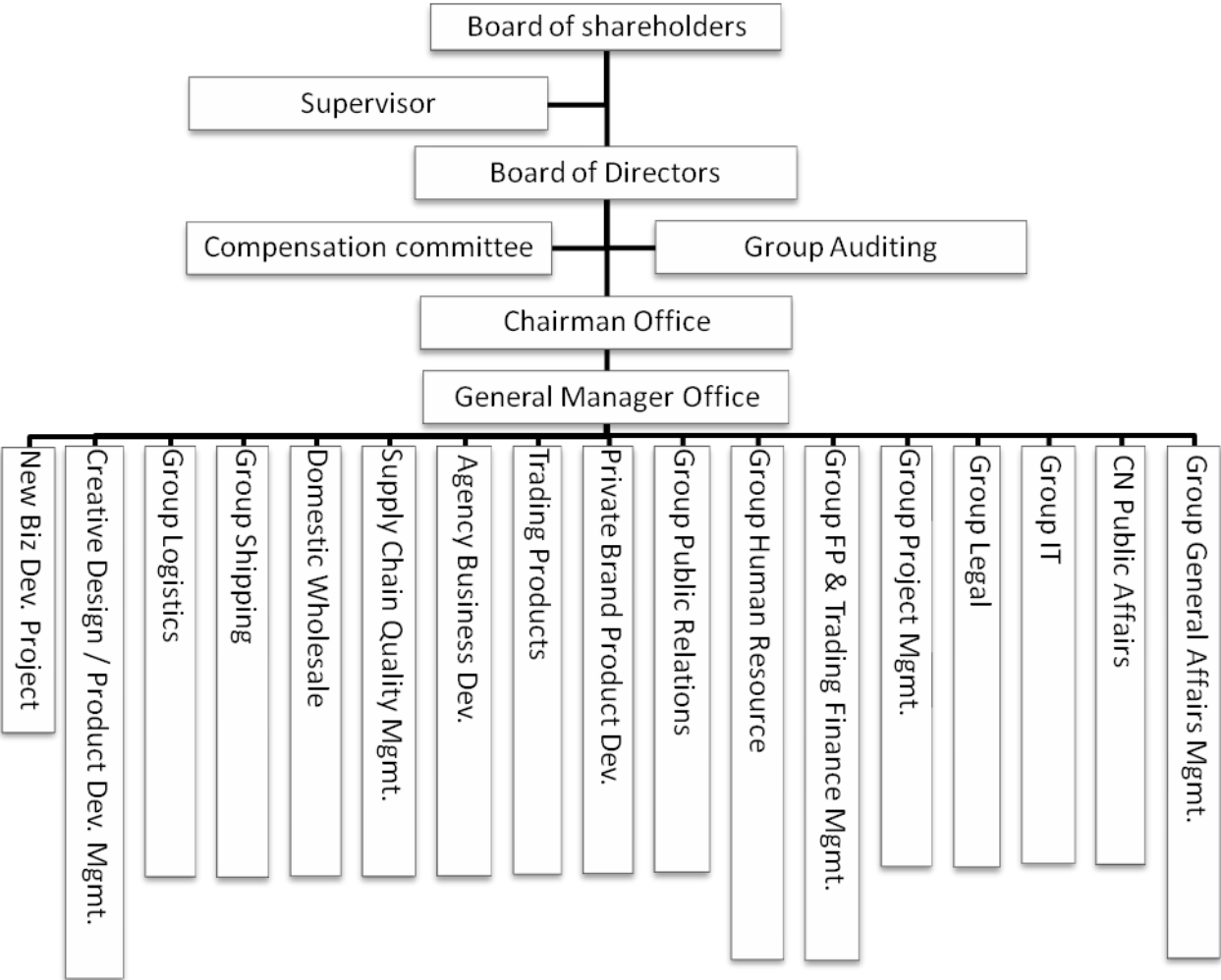
2.2 Company History

Year	Milestones
1978-91	Establishment and Growth
1988-90	“Best Supplier Award from Wal-Mart”
1993	Test Rite IPO (2908TT) –Taiwan Stock Exchange
1996-98	Launch of Retail Business B&Q TLW Taiwan 50-50 JV with Kingfisher HOLA –“House of Living Art”
2000	Packing facilities established in Shanghai and Shenzhen
2001	Named “The Best 200 Small Companies” by Forbes
2004	Retail: Inception of HOLA China
2006	HOLA (2921TT) IPO –Taiwan OTC Exchange Acquisition of Tong-Lung Metal (OTC listed 8705 TT)
2007	Nei-Hu HQ Building Sale-and-Leaseback Purchase of Kingfisher's 50% joint venture stake of TLW Taiwan (US\$100mn)
2009	4-in-1 Merger of Taiwan Retail channels: TLW (DIY), HOLA, Freer, and HOLA Casa.
2010	Accelerate pace of store openings of HOLA China Canceled 14.8mn treasury shares
2011	Décor House grand opening in September. Received Best Supplier Award from Wal-Mart. Received Best Cooperation Partner Award from Michaels.
2012	Sold TLM to Stanley Black & Decker(Proceed of NT\$2.3bn). Merged outstanding shares of TR USA (US\$13.8mn). Opened of discount household channel TAYOHYA in Taiwan.
2013	Acquired International Art, a trading company with specialization in Seasonal, House ware, Garden tools, and stationary. Received 2013 Outstanding Services Award from Michaels.
2014	Established warehousing and distribution center in the Shanghai Free-Trade Zone.
2015	Completed M&A transaction for shares in German trading subsidiary. Introduced the first Crate & Barrel store in Taiwan.
2016	TLW new concept store in XiTun Taichun and Test Rite International makes strategic alliance with the Hillman Group.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Chairman's Office	Foster smooth operation of the Group and strengthen business management mechanisms, to assist the Chairperson in day-to-day administration of the Company, to arrange business schedules, and to carry out designated projects
General Manager's Office	Responsible for evaluation/formulation of business strategies and other related matters of the company.
Group Audit	Responsible for internal audit functions; ensure the established internal control system is effectively carried out and implemented by the Company and its subsidiaries.
Group General Administration Department	Group general administration and management, capital equipment, and building general management.
China Public Affairs Department	China-related general affairs and external relations management.
Group Information Systems Management	Implementation and planning of computer hardware equipment and software planning, program design, and implementation for internal corporate applications for the Group.
Group Legal	Management of corporate counsel, litigation; reviewing of contracts, trademark patents, legal affairs, and regulatory compliance.
Group Project Management Office	Strategy and project management, process management, and optimization of operations.
Group Financial & Planning Management	Corporate governance implementation, investor relationship management, bank relationship management, fund allocation management, group insurance and risk management, shareholder services management, implementation of corporate governance, accounting management, P&L analysis, Group budgeting and investment planning.
Group Human Resource Management	Planning and integration of Human resource planning and integration, employee benefits planning and implementation, industrial relations coordination, and staff education, training, and development.
Group Public Relationship	Group public relations maintain media exposure and brand image management.
Trading and Sales Department	Planning, development, design, sourcing, sales promotion, and providing clients with information. Client relations management and customer services for products, such as hand tools, home hardware, family suppliers and electronics, seasonal merchandise, stationery, gifts, interior furniture, and IT products.
Trading Brand Development Project	Trading Group product brand management and expansion.
Trading Agency Development	Agency business promotion; provision of information and services for customers.
Group Supply Chain & QAQC Management Division	Supporting functions related to quality assurance, quality management, and supplier assessment for direct-line units.
Trading Domestic Marketing	Planning and execution of marketing and promotional activities.
Group Shipping Division	Support Sales team for the shipping business and customs clearance related operations.
Group Logistics	Support for logistics management and other related operations of business units.

Group Creative Design & Product Development	Provide research and development designs, artwork, and marketing strategies for new products
Group New Business Development Project	Business related projects of innovative products developed.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

As of April 17, 2017

Title	Nationality	Name	Gender	Date Elected	Term -Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Ms. Judy Lee	Female	2015.06.15	3	1983.07.04	36,050,614	7.10	25,711,294	5.04	38,995,550	7.65	0	0.00	President of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd. ; Director of Tong Long Metal Industry Co., Ltd. ; Department of Bank and Insurance/ Tamkang University	Note 1	Director Director	Tony Ho Robin Ho	Family Family	
Director	Taiwan	Mr. Tony Ho	Male	2015.06.15	3	1983.07.04	42,682,905	8.41	38,995,550	7.65	25,711,294	5.04	0	0.00	Chairman of Test Rite Int'l Co., Ltd.; Chairman of Test Rite Retail Co. Ltd.; Chairman of Tong Long Metal Industry Co., Ltd.; National Taiwan University & Fudan University/EMBA Classes	Note 2	Director Director	Judy Lee Robin Ho	Family Family	
Director	Taiwan	Ms. Robin Ho	Female	2015.06.15	3	2010.06.15	761,431	0.15	1,949,579	0.38	302,000	0.06	0	0.00	VP of Test Rite Int'l Co., Ltd.; Department of Business/ Management University of Southern California; MBA of Fujen Catholic University Graduate Institute of Management	Note 3	Director Director	Tony Ho Judy Lee	Family Family	
Director	Taiwan	Property Int'l Co., Ltd. Representative: Ms. Ai Chen Lee	Female	2015.06.15	3	2006.06.09	588,000 1,030,880	0.12 0.20	606,083 655,583	0.12 0.13	0	0.00	0	0.00	Director of ShiFu Industry Co., Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Kuang Lung Vocational High School	Note 4	-	-	-	
Director	Taiwan	Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	Male	2015.06.15	3	2012.06.18	588,000 0	0.12 0	606,083 0	0.12 0.00	0	0.00	0	0.00	Chairman of Taiwan Financial Asset Service Co., Ltd., ; Director-general National Taxation Bureau of the North Area, Ministry of Finance; Deputy Director-general National Taxation Bureau of Taipei, Ministry of Finance; Master of Business Administration United States REGIS University; Soochow University Master of Law Research Institute		Independent director of Grand Pacific Petrochemical Corporation; Advantek Enterprise Co., Ltd. independent director	-	-	-
Independent Director	Taiwan	Mr. Hung-Hsun Ting	Male	2015.06.15	3	2015.06.15	0	0.00	0	0.00	0	0.00	0	0.00	Partner of Baker Tilly Clock & Co; Director of Pacific Securities; Director of Pacific SOGO Department Stores Co., Ltd; Supervisor of Tien Liang Biotech Co., Ltd; Supervisor of Emerging Display Technologies Corp.; The Department of Accounting, Chinese Culture University	Note 5	-	-	-	

Title	Nationality	Name	Gender	Date Elected	Term -Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Taiwan	Mr. Ting-Yang Liu	Male	2015.06.15	3	2015.06.15	0	0.00	0	0.00	0	0.00	0	0.00%	Principal of Taipei College of Maritime Technology; Dean of Graduate Institute of Human Resource and Knowledge Management at National Kaohsiung Normal University; Dean of Student Affairs of I-Shou University, Researcher of Centre for Human Resource Development and Management Studies at Peking University; Independent director of HER CHEE Industrial Co.,Ltd.; Independent director of Tekom Technologies, Inc; School of Government, Peking University, Juris Doctor; Alliant International University, Doctor of Education	Note 6	-	-	-
Supervisor	Taiwan	Mr. Chung Hsing Huang	Male	2015.06.15	3	2009.06.16	0	0.00	0	0.00	0	0.00	0	0.00	Associate Dean of Business Administration College of National Taiwan University; CEO of EMBA of National Taiwan University; Top manager of Professional and Continuing Studies of National Taiwan University; Supervisor of Delta Electronic Inc.; Independent Director of Share Hope Medicine Inc.; Doctor of University of Texas at Austin	Note 7	-	-	-
Supervisor	Taiwan	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	Male	2015.06.15	3	2003.06.20	31,362,873 0	6.18 0	32,327,389 0	6.34 0	0	0	0	0	Director of Zhao Ming law firm; Director of Mu-Kuang Education Foundation; Director of Young-Sun Culture & Education Foundation; Director of Chew Zai Xing Foundation; Consultant of Yilan County Government.; Managing Supervisor of Taipei Bar Association ; Director of Taiwan Bar Association ; Department of Law/National Taiwan University	Note 8	-	-	-

Note:

1. Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of HOLA Homefurnishings Co., Ltd. ∙ Director of Testrite Brand Agency Co., Ltd. ∙ Director of Test Rite C&B Co., Ltd. ∙ Director of Chung Cin Enterprise Co., Ltd. ∙ Director of Lih Teh International Co., Ltd. ∙ Director of Lih Chiou Co., Ltd. ∙ Director of Fusion International Distribution Inc. ∙ Director of Pro-quality Service Co., Ltd. ∙ Chairman of International Art Co., Ltd. ∙ Chairman of Test Rite Business Development Corporation(China) Co., Ltd. ∙ Chairman of B&S Link (Shanghai) Co., Ltd. ∙ Chairman of HOLA Shanghai Consultant Co., Ltd. ∙ Chairman of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Chairman of HOLA Beijing Retail & Trading Co., Ltd. ∙ Chairman of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Chairman of Light Up Shanghai Retailing Co., Ltd. ∙ Chairman of HOLA Hangzhou Retailing Co., Ltd. ∙ Chairman of HOLA Shanghai Retail & Trading Ltd. ∙ Chairman of Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Chairman of Shanghai B&S Link Logistics Management Ltd. ∙ Chairman of Pro-Quality Service Limited Corporation ∙ Chairman of Energy Retailing Co., Ltd. ∙ Chairman of Test Rite (China) Investment Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Homezone International Corporation ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test-Rite Int'l (Australia) Pty Ltd. ∙ Director of Test Rite Pte Ltd. ∙ Director of Test Rite Products (Hong Kong) Ltd. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ Director of Fortune Miles Trading Inc. ∙ Director of Upmaster International Co., Ltd. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH
2. Chairman of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Chairman of HOLA Homefurnishings Co., Ltd. ∙ Chairman of Testrite Brand Agency Co., Ltd. ∙ Chairman of Test Rite C&B Co., Ltd. ∙ Chairman of Chung Cin Enterprise Co., Ltd. ∙ Chairman of Lih Teh International Co., Ltd. ∙ Chairman of Lih Chiou Co., Ltd. ∙ Chairman of Fusion International Distribution Inc. ∙ Chairman of Quality Master Co., Ltd. ∙ Chairman of Pro-quality Service Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Homezone International Corporation ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test Rite Products (Hong Kong) Ltd. ∙ Director of Test Rite Viet Nam Co., Ltd. ∙ Director of Test Rite Retailing Limited ∙ Director of Perfect Group International Limited ∙ Director of Test Rite South American Co., Ltd. ∙ Director of Test Rite Trading Co., Ltd. ∙ Director of Test Rite Retailing Co., Ltd. ∙ Director of B&S Link Corporation ∙ Director of Test-Rite Star Co., Ltd. ∙ Director of Test Rite International Investment Co., Ltd. ∙ Director of Upmaster International Co., Ltd. ∙ Director of Test Rite (UK) LTD. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH
3. Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Pro-quality Service Co., Ltd. ∙ Director of International Art Co., Ltd. ∙ Director of Test Cin M&E Engineering Co., Ltd. ∙ Director of Test Rite Business Development Corporation (China) Co., Ltd. ∙ Director of B&S Link (Shanghai) Co., Ltd. ∙ Director of HOLA Shanghai Consultant Co., Ltd. ∙ Director of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Director of HOLA Beijing Retail & Trading Co., Ltd. ∙ Director of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Director of Light Up Shanghai Retailing Co., Ltd. ∙ Director of HOLA Hangzhou Retailing Co., Ltd. ∙ Director of HOLA Shanghai Retail & Trading Ltd. ∙ Director of Energy Retailing Co., Ltd. ∙ Director of Test Rite (China) Investment Co., Ltd. ∙ Director of Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Director of Shanghai B&S Link Logistics Management Ltd. ∙ Director of Pro-Quality Service Limited Corporation ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH ∙ GM of Test-Rite International (U.S.)Co., Ltd.
4. Chairman of UpMaster Investment Co., Ltd. ∙ Chairman of Li-Hsiung Co., Ltd. ∙ Chairman of Property International Company Limited ∙ Chairman of Tsai Ye Enterprise Company Limited. ∙ Chairman of Tsai Wang enterprise Company Limited ∙ Chairman of Chung Cin Enterprise Co., Ltd.
5. Chairman and member of Test-Rite Remuneration Committee ∙ Independent director, Chairman and member of Audit Committee of ShunSin Technology Holdings Limited and Remuneration Committee ∙ Independent director, Chairman and member of Audit Committee of Cyber JAN Technology, Inc. and Remuneration Committee ∙ Independent director, Chairman and member of ICARES Medicus, Inc. and Remuneration Committee.
6. Member of Test-Rite Remuneration Committee ∙ Professor of Graduate Institute of Human Resource and Knowledge Management at National Kaohsiung Normal University ∙ Visiting professor of School of Business at Macau University of Science and Technology ∙ Contract Research Fellow of National Policy Foundation ∙ Director of Li-Chih Valuable School ∙ Advisors of Taipei City Government
7. Director of Delta Electronics Inc. ∙ Associate Professor of National Taiwan University College of Management
8. Director of Zhao Ming law firm ∙ Director of Mu-Kuang Education Foundation ∙ Director of Youngsun Culture & Education Foundation ∙ Director of Chew Zai Xing Foundation ∙ Consultant of County Yilan Government ∙ Independent director of Mega International Commercial Bank.

Major shareholders of the institutional shareholders

As of April 17, 2017

Name of institutional shareholders	Major shareholders of the institutional shareholders
Property International Company Limited	Ms. Lee, Ai-Chen 100%
Tsai-Chi Co., Ltd.	Quality Master Co., Ltd. 100%

Major shareholders of the major shareholders that are juridical persons

As of April 17, 2017

Name of juridical persons	Major shareholders of the juridical persons
Quality Master Co., Ltd.	Judy Lee 76.84% 、 Robin Ho 8.6% 、 Joyce Ho 8.6% 、 Kelly Ho 5.96%

Professional qualifications and independence analysis of directors and supervisors

As of April 17, 2017

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Director	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Ms. Judy Lee			✓								✓	✓	✓	0	
Mr. Tony Ho			✓					✓		✓	✓	✓	0		
Ms. Robin Ho			✓							✓	✓	✓	0		
Mr. Hung-Hsun Ting		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3		
Mr. Ting-Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0		
Property Int'l Co., Ltd. Representative: Ms. Ai Chen Lee			✓			✓	✓			✓	✓	✓	0		
Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2		
Mr. Chung Hsing Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1		
Tsai-Chi Co., Ltd. Representative :Mr. Hsueh Hsing Liao		✓	✓	✓	✓	✓	✓	✓		✓	✓		1		

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

As of April 17, 2017

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Strategy and new business development CEO	Taiwan	Tony Ho	Male	1975.09.01	38,995,550	7.65%	25,711,294	5.04%	0	0.00%	President of Test Rite Int'l Co., Ltd.; National Taiwan University & Fudan University/EMBA Classes;	Note 1	Corporate governance and risk control CEO	Judy Lee Robin Ho	Spouse Family
Corporate governance and risk control CEO	Taiwan	Judy Lee	Female	1975.09.01	25,711,294	5.04%	38,995,550	7.65%	0	0.00%	President of Test Rite Int'l Co., Ltd.; Department of Bank and Insurance/ Tamkang University	Note 2	Strategy and new business development CEO	Tony Ho Robin Ho	Spouse Family
President	Taiwan	Sophia Tong	Female	2009.3.23	1,637,909	0.32%	0	0.00%	0	0.00%	GM of IBM Taiwan; Department of Foreign Languages/National Taiwan University	Note 3	-	-	-
Vice President	Taiwan	John Peng	Male	1998.9.1	324,223	0.06%	701,000	0.14%	0	0.00%	Product Manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 4	-	-	-
Vice President	Taiwan	Robin Ho	Female	2009.5.1	1,949,579	0.38%	302,000	0.06%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, Fujen Catholic University	Note 5	-	-	-
Vice President	Taiwan	Gillian Joe	Female	2008.7.21	10,307	0.11%	0	0.00%	0	0.00%	Managing consultant of IBM Taiwan; University of Central Okalahoma	-	-	-	-
Vice President	Taiwan	Alfred Chang	Male	2005.10.8	306,870	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Foreign Languages/ National Cheng Kung University	-	-	-	-
Vice President	Taiwan	Lawrence Wu	Male	2007.3.1	77,668	0.02%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd.; Keelung Maritime Vocational High School	Note 6	-	-	-
Vice President	Taiwan	Jane Peng	Female	2008.3.1	30,922	0.01%	0	0.00%	0	0.00%	Chief Project Director of IBM Taiwan; MBA, University of Houston	-	-	-	-
Vice President	Taiwan	Bob Yueh	Male	2009.3.1	13,454	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Industrial Engineering/ Feng Chia University	-	-	-	-
Vice President	Taiwan	Edward Kao	Male	2009.3.1	424,405	0.08%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, New Jersey Institute of Technology	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	Taiwan	Paul Wang	Male	2009.3.1	148,102	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Yudah Commercial High School	Note 7	-	-	-
Vice President	Taiwan	Tracy Tsai	Female	2009.3.1	137,232	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of International Trade/ Chinese Culture University	-	-	-	-
Vice President	Taiwan	CC Fan	Male	2010.6.10	3,000	0.00%	0	0.00%	0	0.00%	Principal Consultant Of IBM Taiwan; MS, The University of North Alabama	-	-	-	-
Vice President	Taiwan	Maggy Chen	Female	2011.12.5	354,512	0.07%	147	0.00%	0	0.00%	General manager of Freer Inc. , Department of Business Management, Soochow University	-	-	-	-
Vice President	Taiwan	Linda Lin	Female	2003.1.1	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/ Ming Chuan College	Note 8	-	-	-
Vice President	Taiwan	Shelley Chen	Female	2007.5.1	681	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of International Trade/ Ming Chuan College	-	-	-	-
Vice President	Taiwan	Ted Ho	Male	2014.7.4	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of Global Information Technology Services Division, IBM Taiwan; Senior Vice President of Test-Rite Home Service Co., Ltd.; Computer science department /Chung Yuan Christian University	-	-	-	-
Vice President	Taiwan	Lancy Wu	Female	2007.5.1	11,184	0.01%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Master of Department of Business Administration, National Taipei University	-	-	-	-
Vice President	Taiwan	Monica Chen	Female	2009.6.15	130,408	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/Shih Chien College	-	-	-	-
Vice President	Taiwan	Charlene Ka	Female	2016.8.1	10,000	0.00%	0	0.00%	0	0.00%	Director of Media Tek Inc. San Jose State University/Instructional Technology a master	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Assistant Vice President	Taiwan	Alex Yu	Male	2005.2.1	88,551	0.02%	0	0.00%	0	0.00%	Manager of SAMPO Co., Ltd.; Department of Mechanical Engineering/ Chung Yuan Christian University	-	-	-	-
Assistant Vice President	Taiwan	Austin Lin	Male	2011.8.11	0	0.00%	0	0.00%	0	0.00%	FUJITSU TAIWAN Ltd./Senior manager; Department of Computer Science and Information Engineering, Chung Hua University	-	-	-	-
Assistant Vice President	Taiwan	Johnson Lee	Male	2011.12.6	81,766	0.02%	0	0.00%	0	0.00%	AVP B&S Link Co., Ltd.; Department of Electronic Engineering / Technology and Science Institute of Northern Taiwan	-	-	-	-
Assistant Vice President	Taiwan	Hamprey Wang	Male	2012.7.2	0	0.00%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd. ; Department of History/ National Taiwan University	-	-	-	-
Assistant Vice President	Taiwan	Tracy Leu	Female	2012.10.15	11,000	0.00%	0	0.00%	0	0.00%	Senior merchandiser of Jetshoes Co., Ltd.; Merchandise manager of Wal-Mart; Department of Bank and Insurance /Tamkang University	-	-	-	-
Assistant Vice President	Taiwan	Dick Ko	Male	2012.12.25	0	0.00%	0	0.00%	0	0.00%	Fu Jia Enterprise; Department of Business English /Fu Hsing Kang College	-	-	-	-
Assistant Vice President	Taiwan	Eddie Wei	Male	2013.2.18	0	0.00%	0	0.00%	0	0.00%	Creative Design Director of Wisefame International Ltd.; Design Director of GoerTek Inc.; Master, Department of Industrial Design/ Shih Chien University	-	-	-	-
Assistant Vice President	Taiwan	Jenny Chen	Female	2014.8.19	512	0.00%	0	0.00%	0	0.00%	Senior Manager of Test Rite Int'l Co., Ltd.; Department of Business Management/ Ming Chuan University	-	-	-	-
Assistant Vice President	Taiwan	Celine Hsien	Female	2015.3.1	0	0.00%	0	0.00%	0	0.00%	Sales Manager of International AIM; Senior Manager of Test Rite Int'l Co., Ltd.; Department of Business Management/ National Central University	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Assistant Vice President	Taiwan	Ya-Pei.Kang	Female	2015.07.06	0	0.00%	0	0.00%	0	0.00%	Manager of MediaTek Inc.; Master of Industrial and Labor Relations, Cornell University	-	-	-	-
Assistant Vice President	Taiwan	Jennie Hsu	Female	2016.02.04	10,000	0.00%	0	0.00%	0	0.00%	Executive Vice President of PinJang Enterprise Ltd.; Shilin High School of Commerce	-	-	-	-
Assistant Vice President	Taiwan	Bruce Shen	Male	2016.02.23	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Mass Communication, Tamkang University	-	-	-	-
Assistant Vice President	Taiwan	Eric.Chang	Male	2016.7.1	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Tunghai University MBA	Note 9	-	-	-
Assistant Vice President	Taiwan	Antyia.Tsai	Female	2017.2.3	917	0.00%	0	0.00%	0	0.00%	MultiStar Industry co., Industry co., Ltd. Private Chinese Culture University/department of chinese language and literature	-	-	-	-
Assistant Vice President	Taiwan	Jamie.Kuo	Female	2017.4.1	45,570	0.01%	0	0.00%	0	0.00%	Hwa Fong Rubber Ind. Co., Ltd.; Tamkang University/ department of economics	-	-	-	-

Note :

- 1.Chairman of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Chairman of Hola Homefurnishings Co., Ltd. ∙ Chairman of Testrite Brand Agency Co., Ltd. ∙ Chairman of Test Rite C&B Co., Ltd. ∙ Chairman of Chung Cin Enterprise Co., Ltd. ∙ Chairman of Lih Teh International Co., Ltd. ∙ Chairman of Lih Chiou Co., Ltd. ∙ Chairman of Fusion International Distribution Inc. ∙ Chairman of Quality Master Co., Ltd. ∙ Chairman of Pro-quality Service Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Homezone International Corporation ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test Rite Products (Hong Kong) Ltd. ∙ Director of Test Rite Viet Nam Co., Ltd ∙ Director of Test Rite Retailing Limited ∙ Director of Perfect Group International Limited ∙ Director of Test Rite South American Co., Ltd. ∙ Director of Test Rite Trading Co., Ltd. ∙ Director of Test Rite Retailing Co., Ltd. ∙ Director of B&S Link Corporation ∙ Director of Test-Rite Star Co., Ltd. ∙ Director of Test Rite International Investment Co., Ltd. ∙ Director of Upmaster International Co., Ltd. ∙ Director of Test Rite (UK) LTD. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH.
- 2.Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Hola Homefurnishings Co., Ltd. ∙ Director of Testrite Brand Agency Co., Ltd. ∙ Director of Test Rite C&B Co., Ltd. ∙ Director of Chung Cin Enterprise Co., Ltd. ∙ Director of Lih Teh International Co., Ltd. ∙ Director of Lih Chiou Co., Ltd. ∙ Director of Fusion International Distribution Inc. ∙ Director of Pro-quality Service Co., Ltd. ∙ Chairman of International Art Co., Ltd. ∙ Chairman of Test Rite Business Development Corporation(China) Co., Ltd. ∙ Chairman of B&S Link (Shanghai) Co., Ltd. ∙ Chairman of HOLA Shanghai Consultant Co., Ltd. ∙ Chairman of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Chairman of HOLA Beijing Retail & Trading Co., Ltd. ∙ Chairman of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Chairman of Light Up Shanghai Retailing Co., Ltd. ∙ Chairman of HOLA Hangzhou Retailing Co., Ltd ∙ Chairman of HOLA Shanghai Retail & Trading Ltd. ∙ Chairman of Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Chairman of Shanghai B&S Link Logistics Management Ltd. ∙ Chairman of Pro-Quality Service Limited Corporation ∙ Chairman of Energy Retailing Co., Ltd. ∙ Chairman of Test Rite (China) Investment Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Homezone International Corporation ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test-Rite Int'l (Australia) Pty Ltd. ∙ Director of Test Rite Pte Ltd. ∙ Director of Test Rite Products (Hong Kong) Ltd.. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ Director of Fortune Miles Trading Inc. ∙ Director of Upmaster International Co., Ltd. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany

Import GmbH.

3. Director and GM of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of International Art Co., Ltd. ∙ Director of Test-Rite (UK) Ltd.
4. Supervisor of Test Rite Business Development Corporation (China) Co., Ltd. ∙ Supervisor of B&S Link (Shanghai) Co., Ltd. ∙ Supervisor of Test Rite (China) Investment Co., Ltd ∙ Supervisor of HOLA Shanghai Consultant Co., Ltd. ∙ Supervisor of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Supervisor of HOLA BEIJING RETAIL & TRADING Co., Ltd. ∙ Supervisor of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Supervisor of Light Up Shanghai Retailing Co., Ltd. ∙ Supervisor of HOLA HANGZHOU RETAILING Co., Ltd. ∙ Supervisor of HOLA SHANGHAI RETAIL & TRADING Ltd. ∙ Supervisor of Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Supervisor of Shanghai B&S Link Logistics Management Ltd. ∙ Supervisor of Pro-Quality Service Limited Corporation ∙ GM of Energy Retailing Co., Ltd.
5. Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Pro-quality Service Co., Ltd. ∙ Director of International Art Co., Ltd. ∙ Director of Chung Cin Enterprise Co., Ltd ∙ Director of Test Cin M&E Engineering Co., Ltd. ∙ Director of Test Rite Business Development Corporation (China) Co., Ltd. ∙ Director of B&S Link (Shanghai) Co., Ltd. ∙ Director of HOLA Shanghai Consultant Co., Ltd. ∙ Director of HOLA Shanghai Retail & Trading Co., Ltd. ∙ Director of HOLA Beijing Retail & Trading Co., Ltd. ∙ Director of HOLA Shanghai Living Art Retailing Co., Ltd. ∙ Director of Light Up Shanghai Retailing Co., Ltd. ∙ Director of HOLA Hangzhou Retailing Co., Ltd. ∙ Director of HOLA Shanghai Retail & Trading Ltd. ∙ Director of Energy Retailing Co., Ltd. ∙ Director of Test Rite (China) Investment Co., Ltd. ∙ Director of Shanghai TEST RITE Global Supply Chain Management Ltd. ∙ Director of Shanghai B&S Link Logistics Management Ltd. ∙ Director of Pro-Quality Service Limited Corporation ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Test Rite International (Thailand) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ Director of Test-Rite Development GmbH ∙ Director of Test-Rite International (Germany) GmbH ∙ Director of Test-Rite Germany Import GmbH ∙ GM of Test-Rite International (U.S.)Co., Ltd.
6. Director of Test Rite South America Co., Ltd.
7. Supervisor of Test Rite South America Co., Ltd.
8. Supervisor of Test Rite Retail Co., Ltd. ∙ Supervisor of Test-Rite Home Service Co., Ltd. ∙ Supervisor of HOLA Homefurnishings Co., Ltd. ∙ Supervisor of Testrite Brand Agency Co., Ltd. ∙ Supervisor of Test Rite C&B Co., Ltd. ∙ Supervisor of Chung Cin Enterprise Co., Ltd. ∙ Supervisor of Pro-quality Service Co., Ltd. ∙ Supervisor of Lih Teh International Co., Ltd., ∙ Supervisor of Lih Chiou Co., Ltd. ∙ Supervisor of Fusion International Distribution Inc. ∙ Supervisor of International Art Co., Ltd.
9. Supervisor of Test Rite Retail Co., Ltd. ∙ Supervisor of Test-Rite Home Service Co., Ltd. ∙ Supervisor of Lih Teh International Co., Ltd., ∙ Supervisor of Pro-quality Service Co., Ltd. ∙ Supervisor of Lih Chiou Co., Ltd.

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

3.3.1 Remuneration of Directors

As of Dec. 31, 2016 : Unit: NT\$ thousands

Title	Name	Remuneration								Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary		
		Base Compensation (A)		Severance Pay (B)		Directors and supervisors' remunerations (C)		Allowances (D)		Ratio of total remuneration (A+B+C+D) to net income(%)		Salary, Bonuses, and Allowances(E)		Severance Pay (F)		Employee compensation (G)		Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)				
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities		The company	From All Consolidated entities
Chairman	Ms. Judy Lee	4,000	4,000	0	0	6,591	6,591	252	306	1.60%	1.61%	16,141	38,165	0	0	455	0	2,803	0	4.06%	7.67%	0
Director	Mr. Tony Ho																					
Director	Ms. Robin Ho																					
Independent Director	Mr. Hung-Hsun Ting																					
Independent Director	Mr. Ting-Yang Liu																					
Director	Property Int'l Co. Ltd. Representative: Ms. Ai Chen Lee																					
Director	Property Int'l Co. Ltd. Representative: Mr. Wen-Tzong, Chen																					

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

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
Under NT\$ 2,000,000	Ms. Robin Ho 、 Mr. Hung-Hsun Ting 、 Mr. Ting-Yang Liu 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen	Mr. Hung-Hsun Ting 、 Mr. Ting-Yang Liu 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen	Mr. Hung-HsunTing 、 Mr. Ting-Yang Liu 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen	Mr. Hung-Hsun Ting 、 Mr. Ting-Yang Liu 、 Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen
NT\$2,000,000 ~ NT\$5,000,000	Mr. Tony Ho 、 Ms. Judy Lee	Mr. Tony Ho 、 Ms. Judy Lee 、 Ms. Robin Ho	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-	Mr. Tony Ho 、 Ms. Robin Ho	-
NT\$10,000,000 ~ NT\$15,000,000	-	-	Ms. Judy Lee	Ms. Robin Ho
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	Mr. Tony Ho 、 Ms. Judy Lee
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

3.3.2 Remuneration of Supervisors

As of Dec. 31, 2016; Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of total remuneration (A+B+C) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary
		Base Compensation(A)		Reward (B)		Allowances(C)		The company	From All Consolidated entities	
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities			
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	1,000	1,000	3,472	3,472	84	204	0.67%	0.69%	0
Supervisor	Mr. Chung Hsing Huang									

Bracket	Name of Supervisors	
	Total of (A+B+C)	
	The company	From All Consolidated entities
Under NT\$ 2,000,000	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao 、 Mr. Chung Hsing Huang	-
NT\$2,000,000 ~ NT\$5,000,000	-	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao 、 Mr. Chung Hsing Huang
NT\$5,000,000 ~ NT\$10,000,000	-	-
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	2	2

3.3.3 Compensation of President and Vice Presidents

As of Dec. 31, 2016; Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities		The company	From All Consolidated entities	
								Cash	Stock	Cash	Stock			
CEO of strategy & new business development	Tony Ho	99,325	121,349	10,109	10,109	11,214	11,214	3,091	0	5,440	0	18.30	21.91	0
CEO of Corporate Governance and risk management	Judy Lee													
President	Sophia Tong													
Vice President	John Peng													
Vice President	Hannis Chang													
Vice President	Alfred Chang													
Vice President	Lawrence Wu													
Vice President	Jane Peng													
Vice President	Gillian Joe													
Vice President	Bob Yueh													
Vice President	Tracy Tsai													
Vice President	Edward Kao													
Vice President	Paul Wang													
Vice President	Robin Ho													
Vice President	CC Fan													
Vice President	Jack Ueng													
Vice President	Maggy Chen													
Vice President	Linda Lin													
Vice President	Shelly Chen													
Vice President	Ted Ho													
Vice President	Lancy Wu													
Vice President	Monica Chen													
Vice President	Charlene Kao*													
Vice President	Terrence Yang**													
Vice President	Constance Chuang**													

* VP Charlene.Kao in August 2016.

** VP Constance Chuang in April 2016 ; VP Terrence Yang in December 2016.

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

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000		
NT\$2,000,000 ~ NT\$5,000,000	Monica Chen 、Lancy Wu 、Constance Chuang 、Shelly Chen 、Linda Lin 、Maggy Chen 、CC Fan 、Robin Ho 、Paul Wang 、Edward Kao 、Tracy Tsai 、Bob Yueh 、Gillian Joe 、Lawrence Wu 、Alfred Chang 、John Peng 、Jack Ueng 、Ted Ho 、Charlene.Kao 、Hannis Chang	Monica Chen 、Lancy Wu 、Constance Chuang 、Shelly Chen 、Linda Lin 、Maggy Chen 、CC Fan 、Robin Ho 、Paul Wang 、Edward Kao 、Tracy Tsai 、Bob Yueh 、Gillian Joe 、Lawrence Wu 、Alfred Chang 、John Peng 、Jack Ueng 、Ted Ho 、Charlene.Kao 、Hannis Chang
NT\$5,000,000 ~ NT\$10,000,000	Judy Lee 、Tony Ho 、Terrance Yang 、Jane Peng	Terrance Yang 、Jane Peng
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000	Sophia Tong	Tony Ho 、Judy Lee 、Sophia Tong
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	25	25

3.3.4 Employee bonuses of Managers

As of Dec. 31, 2016; Unit: NTS thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO of strategy & new business development	Tony Ho	0	3,972,815	3,972,815	0.59%
	CEO of Corporate Governance and risk management	Judy Lee				
	President	Sophia Tong				
	Vice President	John Peng				
	Vice President	Hannis Chang				
	Vice President	Alfred Chang				
	Vice President	Lawrence Wu				
	Vice President	Jane Peng				
	Vice President	Gillian Joe				
	Vice President	Bob Yueh				
	Vice President	Tracy Tsai				
	Vice President	Edward Kao				
	Vice President	Paul.Wang				
	Vice President	Robin Ho				
	Vice President	CC Fan				
	Vice President	Jack Ueng				
	Vice President	Maggy Chen				
	Vice President	Linda Lin				
	Vice President	Shelly Chen				
	Vice President	Ted Ho				
	Vice President	Lancy Wu				
	Vice President	Monica Chen				
	Vice President	Charlene.Kao*				
	Vice President	Terrence Yang**				
	Vice President	Constance Chuang**				
	Assistant Vice President	Alex Yu				
	Assistant Vice President	Austin Lin				
	Assistant Vice President	Johnson Lee				
	Assistant Vice President	Humphrey Wang				
	Assistant Vice President	Tracy Leu				
	Assistant Vice President	Dick Ko				
	Assistant Vice President	Eddie Wei				
	Assistant Vice President	Jenny Chen				
Assistant Vice President	Celine Hsien					
Assistant Vice President	Ya-Pei Kang					
Assistant Vice President	Jennie.Hsu*					
Assistant Vice President	Bruce.Shen*					
Assistant Vice President	Eric.Chang*					
Assistant Vice President	Gino Chen**					
Assistant Vice President	Sky Yuan**					
Assistant Vice President	Yite Chu**					
Assistant Vice Presiden	Kevin Lin**					
Assistant Vice President	Jerry.Tseng**					
Assistant Vice President	Jack Chang**					

* VP Charlene.Kao joined in August 2016; AVP Jennie.Hsu and Bruce.Shen joined in February 2016; AVP Eric.Chan joined in July 2016.

** VP Constance Chuang resigned in April 2016; VP Terrence Yang resigned in December 2016;.AVP Jack Chang resigned in January 2016; AVP Jerry.Tseng resigned in March 2016; AVP Kevin Lin resigned in April 2016; AVP Yite Chu resigned in Mary 2016; AVP Sky Yuan and Gino Chen resigned in September 2016;

3.3.5 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

1. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Title \ Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) - Companies in the consolidated financial statements	
	2015	2016
Directors	8.29%	7.67%
Supervisors	0.78%	0.69%
Presidents and Vice Presidents	27.27%	21.91%

2. Guiding principles for compensation to directors and management executives:

The remuneration of directors and supervisors of the Company and the Group under consolidated financial statements includes transportation expenses, earning distribution for the remuneration of directors and supervisors and remuneration to concurrent employees. Transportation expenses are determined based on industry standards, and are paid based on the attendances of directors and supervisors. With respect to the remuneration of directors and supervisors of the Company and the Group under consolidated financial statements, transportation expenses are determined based on industry standards, and are paid according to the attendance status of the directors and supervisors in the board meetings. Earnings distributed to the directors and supervisors are determined based on the provisions of the Articles of Incorporation of the Company and of the Group under consolidated financial statements. The proposals for the distribution of earnings are drafted by the Board of Directors and approved at the board of directors. As for the remuneration to individual directors and supervisors, the shareholders' meeting will firstly approve the total remuneration amount. The Remuneration Committee of the Company will then review the individual remuneration based on the relevant company policies. The proposed remuneration will be submitted to the Board of Directors for approval before making the payment. The remuneration to the managerial staff (i.e. the president and the vice president, etc.) includes salary, cash awards and employee bonuses, etc. The Human Resources Department is responsible for establishing and adjusting the remuneration standards based on the internal compensation policies and performance management guidelines, while also considering the external benchmarks, industrial standards and remuneration standards in companies in similar fields. The proposed remuneration for managerial staff shall be reviewed by the Remuneration Committee of the Company and further submitted to the Board of Directors for approval before making the payment.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 7 meetings of the board of directors were held in the previous period (Year 2016). Director and supervisor attendance was as follows :

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Chairman	Ms. Judy Lee	7	0	100%	
Director	Mr. Tony Ho	2	5	29%	
Director	Ms. Robin Ho	6	0	86%	
Independent Director	Mr. Hung-Hsun Ting	7	0	100%	
Independent Director	Mr. Ting-Yang Liu	7	0	100%	
Director	Property International Company Limited Representative: Ms. Ai Chen Lee	7	0	100%	
Director	Property International Company Limited Representative: Mr. Wen-Tzong Chen	6	1	86%	

Other notable items :

1.If the operation of the board of directors is one of the following circumstances, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified.

(1) If there are the circumstances referred to in Article 14-3 of Securities : None

(2) Except before the opening of the matter, resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings : None

2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: of As described in the table below.

Name of director	Content of proposal	Reason for abstention from voting participation	The result for each motion
Ms. Judy Lee Mr. Tony Ho MS. Robin Ho	Motion for the distribution of performance-based bonuses to the Company's individual managers for 2015.	Chairwoman Judy Lee and Director Tony Ho and MS. Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	remaining directors in attendance passed the motion without objection.
Mr. Hung-Hsun Ting Mr. Ting-Yang Liu	Remuneration of remuneration of the Company	Independent Director Hung-Hsun Ting and Ting-Yang Liu to avoid a conflict of interest, Remuneration of remuneration of the Company	All other directors in attendance passed the motion without objection.
All directors	Motion for the distribution of compensation to the Company's supervisors for 2015.	Assessment of supervisory compensation for each of the directors, with each director having separately undertaken measures to avoid conflicts of interest	All other directors in attendance passed the motion without objection.
Ms. Judy Lee Ms. Robin Ho	Motion for the Company's 2015 managerial profit-sharing for employees	Chairwoman Judy Lee and Director Robin Ho exercised measures to avoid a conflict of	Director Tony Ho abstained by proxy; remaining directors in

	and 2016 year-end bonus allocation.	interest, as they also serve as managers.	attendance passed the motion without objection.
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3.Measures taken to strengthen the functionality of the Board :

- (1) The Company announces on the Market Observation Post System (MOPS) the attendance records of the monthly board meetings, as well as any significant information resolved in the board meetings.
- (2) The company carried out a project manager in charge of arrangements for reporting to the Board of Directors on the status of implementation of development strategies for Test Rite Group.
- (3) Meetings among the independent directors, internal auditors and the independent auditors :
 - A. The regular meeting between the independent directors, the internal auditors and the independent auditors is on November 10, 2016. The communication about independent auditor's report and the summary and effect of key auditing matters, and the internal auditor's report.
 - B. On December 21, 2016, the purpose of the meeting is brief introduction and response to the new audit report specification.
- (4) To effectively increase its information transparency and fulfill its corporate governance obligations, the Company has sufficiently disclosed various business and financial information on its annual report, company website and the MOPS, and hold analyst meeting aperiodically. To enhance the function of the Board of Directors, the Company also encourages the directors and supervisors to participate in various corporate governance courses arranged by the Company each year, and offers private lessons at home.

3.4.2 Attendance of Supervisors for Board Meetings

A total of thirteen meetings of the board of directors were held in the previous period. Supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	Attendance rate (%) 【B/A】	Remarks
Supervisor	Mr. Chung-Hsing Huang	7	100%	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	7	100%	

Other notable items:

1. Composition and responsibilities of supervisors :

- (1) Communications between supervisors and the Company's employees and shareholders : All supervisors participate in the annual shareholders' meeting; they also have effective communication with the Chief Financial Officer and Chief Accounting Officer.
- (2) Communications between supervisors and the Company's Chief Internal Auditor and CPA
 - A. Communications with Chief Internal Auditor : In addition to providing regular reports to the Board of Directors on the findings and areas of improvement determined via internal audits, the head of Internal Audit also submits monthly audit operations plans and reports to supervisors.
 - B. Communications with the CPA : Supervisors communicate and confirm the review of business reports, earning distribution statements, and the results of annual audit reports with accountants; clear and effective communication is maintained.
 - C. The regular meeting among the independent directors, the internal auditors and the independent auditors is on November 10, 2016. The communication about independent auditor's report, the summary and effect of key auditing matters, and the internal auditor's report. On December 21, 2016, the purpose of the meeting is to brief introduction and response to the new audit report specification.

2.If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified: None.

3.4.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
1.Has the Company implemented a Corporate Governance Code of Practice?	✓		The Company's has implemented a Corporate Governance Code of Practice. The Code of Practice is disclosed on the Company's official website and MOPS.	Compliance
2.Shareholding Structure & Shareholders' Rights (1)What are the Company's methods of handling shareholder suggestions or complaints? (2)Does the Company possess a list of major shareholders and a list of their ultimate owners? (3)What are the risk management mechanisms and “firewall” between the Company and its affiliates? (4)Has the company established internal regulations to ban its personnel from selling and buying securities with information undisclosed to the market?	✓		(1) The Company has a spokesperson and deputy spokesperson, and has set up a mailbox dedicated to investors to handle investor-related issues. (2) The Company has a dedicated team responsible for carrying out shareholder-related services, and has appointed a shareholder services agent from a securities firm to assist with matters related to shareholder services. The Company also has access to the list of major shareholders and ultimate controllers of major shareholders. (3) The Company has established and implemented the following internal control guidelines: Subsidiary Supervision Guidelines, Internal Control System for the Supervision of Subsidiaries and Auditing for the Supervision of Subsidiaries. (4) The Company has established its “Procedures for Handling Material Inside Information” to address related norm, and all personnel of the Company have signed an internal personnel statement, stating that they will never engage in any illegal insider-trading activities, and that they will take sole responsibility for all related laws and regulations.	Compliance
3.Composition and Responsibilities of the Board of Directors (1)Has the board of directors established and implemented diversification measures in its member setup? (2)In addition to setting up a remuneration committee and audit committee in accordance with the law, has the Company voluntarily established any other functional committee? (3)Has the Company established a performance rating method for its Board of Directors, and conducted performance ratings accordingly on an annual basis? (4)Does the Company evaluate its CPAs' independence on a regular basis?	✓		(1) Related regulations can be found in Chapter 3 of the Company's Corporate Governance Code of Practice; the Company has implemented these measures accordingly. (2) Corporate government related functions are conduct by the Company's Board of Directors and Remuneration Committee. (3) It is planning a method to assess the performance of its Board of Directors, expected to be completed in 2017.The board of directors, following the statement of independence issued by the certified public accountants, hereby states that the accountants and auditors have complied with the applicable independence requirement to be unbiased, impartial and independent. Furthermore, the certified public accountants hired under the internal self assessment practice are not	Compliance

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			directors/supervisors or shareholders of the company, and have not received salaries from the company. Renewal of the contract with certified public accountants will not be discussed unless certain criteria, such as not being a stakeholder of the company and not having served as a certified public accountant of the company for seven consecutive years, are met.	
4.Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record) minutes of board meetings ?	✓		The Company has set up financial division to be responsible for corporate governance related matters for corporate governance units.	Compliance
5.Company whether versus established and Stakeholder (Including but not limited to shareholder & employees & client & suppliers) effective communication channels and public relations departments with stakeholders ,responded the important issues of Corporate social responsibility?	✓		The Company has a spokesperson and deputy spokesperson, shareholder services and public relations departments, as well as a mailbox dedicated to investors, the purpose of which is to establish an effective channel of communications with its stakeholders.	Compliance
6.Has the Company assigned a professional stock transfer agent to handle affairs related to the shareholders' meetings?	✓		The Company has assigned the Stock Agency Department of Yuanta Financial Holdings to handle tasks related to shareholders' meetings.	Compliance
7.Information Disclosure (1) Has the Company established a corporate website to disclose information regarding the company’s financials, business and corporate governance status? (2) What are the other information disclosure channels (e.g., maintaining an English-language website, appointing responsible personnel to handle information collection and disclosure, appointing spokespersons, and webcasting investors’ conference) that the Company has devised?	✓		(1) Based on the Company principles of integrity and good faith, we take proper care of all employees and abide by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of our employees, which are carried out in accordance with the Company's internal regulations and management guidelines. The Company's official website (www.testritegroup.com) has been established in order to disclose relevant information about the Company. Investors may also consult the official Market Observation Post System (MOPS) for relevant information at http://mops.twse.com.tw . (2) In addition to a corporate website written in Chinese, the Company has also established an English version of the website; the Company has also disclosed information on the MOPS website in accordance	Compliance

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			with regulatory requirements, appointed a spokesperson, and completed various reporting requirements. Excerpts of briefings of institutional investor conferences can be found at our corporate website.	
8. Other important information to facilitate better understanding of the company’s corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and insurance purchased for directors and supervisors):	✓		<p>(1) Employee rights : Based on the Company's principles of integrity and good faith, the Company takes proper care of employees and abides by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of employees, and to provide equal employment opportunities. Our Employee Welfare Committee has implemented an employee pension system that offers employee group insurance, and organizes various training courses for employees, etc.</p> <p>(2) Employee wellness : The Employee Welfare Committee is established in accordance with the law and organizes various recreational activities, medical checkups, employee travel, and employee shopping days from time to time. The Committee also provides subsidies to social clubs organized by employees. In addition, the Company has made available a large number of parking spaces reserved for employees in order to resolve parking issues. With respect to emergency assistance, in addition to providing employees with protection through group insurance, in the event of major emergencies, the Company also dedicates personnel to take the initiative to call for voluntary contributions from employees to render assistance to fellow staff.</p> <p>(3) Investor relations : The Company discloses relevant information in accordance with the law and has appointed a dedicated investor relations officer who is responsible for managing investor relations and associated activities, in order to protect the interests of investors and stakeholders and to fulfill our corporate responsibility to shareholders.</p> <p>(4) Supplier relations and rights of stakeholders : The Company's business philosophy lies in achieving mutual success with our suppliers. We have always maintained a positive and healthy relationship with each supplier, and all requests made to vendors and stakeholders have been reasonable. We always offer communication opportunities and respect the legitimate rights and interests of all parties involved.</p>	Compliance

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>(5) Directors and supervisors of the Company have continuously attended courses related to Corporate Governance.</p> <ol style="list-style-type: none"> 1.Independent Director Ting-Yang Liu attended the "Responsibility of Duties of directors and supervisors of M&A –Noncompliance M & A Cases" course hosted by the Taiwan Corporate Governance Association for three hours on January 8, 2016. 2.Independent Director Ting-Yang Liu attended the "Amendments to the annual decrees and matters to be taken by the shareholders' meeting" course hosted by the Taiwan Corporate Governance Association for three hours on January 22, 2016. 3.Supervisor Chung-Hsing Huang attended the "Discussion on Employee 's Reward Strategy and Tool Application" course hosted by the Taiwan Corporate Governance Association for three hours on May 10, 2016. 4.Supervisor Chung-Hsing Huang attended the "How to do business secret protection and fraud prevention, strengthen corporate governance" course hosted by the Taiwan Corporate Governance Association for three hours on July 28, 2016. 5.Chairwoman Judy Lee, Director Tony Ho, Director Robin Ho, Director Ai-Chen Lee, Director Wen-Chung Chen, Independent Director Hung-Hsun Ting, and Supervisor Hsueh-Hsing Liao attended the "Disclosure of significant information about the Company and responsibilities of directors" course hosted by the Taiwan Corporate Governance Association for three hours on September 12, 2016. 6.Chairwoman Judy Lee, Director Tony Ho, Director Robin Ho, Director Ai-Chen Lee, Director Wen-Chung Chen, Independent Director Hung-Hsun Ting, and Supervisor Hsueh-Hsing Liao attended the "Group Governance" course hosted by the Taiwan Corporate Governance Association for three hours on October 20, 2016. 7.Supervisor Chung-Hsing Huang attended the "Emerging Internet Threats and Trends" course hosted by the Taiwan Corporate Governance Association for three hours on October 20, 2016. <p>(6) Implementation of risk management policies and risk measurement standards: The Company's internal control, risk management system,</p>	

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>and essential management regulations and guidelines are subject to approval by the Board of Directors. For the status of implementation of other relevant risk management policies and risk measurement standards, please refer to the "Risk Management" section of this Annual Report.</p> <p>(7) Customer policy implementation: The Company adheres to the provisions of the contracts that we enter into with customers, and is committed to protecting consumer rights and to providing good service quality.</p> <p>(8) Insurance coverage purchased by the Company on liability of directors and supervisors: The Company has purchased liability insurance coverage for directors and supervisors.</p>	
<p>9.The improvement status for the result of Corporate Governance Evaluation (Not included in the assessment by the company did not need to fill)</p> <p>Test-Rite Board of Directors has approved amendment to Ethical Corporate Management Best Practice Principles for the Company which was adopted by the Board Meeting, Corporate Social Responsibility Best Practice Principles, and established a full- (or part-) time corporate governance unit on Dec. 16, 2016. The meeting of the communications between among the independent directors, the internal auditors and the independent auditors was held for and disclosed on website on Nov 10 2016 and Dec 21 2016. Test-Rite completed a corporate website to strengthen information disclosure regarding its corporate governance status and started to make announcements in English simultaneously in Q4 2016.</p>				Compliance

3.4.4 Composition, Responsibilities and Operations of Remuneration Committee :

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

Title	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a remuneration committee member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent director	Mr. Ting Hung-Hsun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent director	Mr. Liu Ting Yang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Other	Mr. Huang, Kuo-Shih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

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

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

2.Operations of Remuneration Committee :

(1) The Company's remuneration committee includes 3 members.

(2) The Remuneration Committee members' respective tenures are from June 26, 2015 to June 14, 2018. The Remuneration Committee convened four regular meetings in the previous period. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remark
Chairman	Mr. Hung-Hsun Ting	4	0	100%	
Member	Mr. Ting Yang Liu	4	0	100%	
Member	Mr. Kuo-Shih Huang	3	0	75%	
Other notable items:					
1.If the directors' meetings objected to or modified the proposal of remuneration committee : None.					
2.If the remuneration committee member objected to or subject to qualified opinion and recorded or declared in writing : None.					

3.4.5 Corporate Social Responsibility Fulfillment:

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>1.Implementing corporate governance practices</p> <p>(1)Has the Company established corporate social responsibility policies or systems to review the effectiveness of the implementation?</p> <p>(2)Does the Company schedule routine educational training for corporate social responsibility?</p> <p>(3)Has the Company designated a dedicated (or participating) unit to promote corporate social responsibility?</p> <p>(4)What is the current status of the Company's practice of organizing regular training sessions and awareness programs on business ethics for directors, supervisors, and employees, and on establishing a clear and effective incentive and disciplinary system by integrating the results of the business ethics training with employee performance appraisal?</p>	✓		<p>(1)~(3)Please refer to pages 8~9of the Company’s CSR Report ;</p> <p>(4) Please refer to pages 106~107 of the Company’s CSR Report</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>2.Developing a sustainable environment</p> <p>(1)Is the Company committed to improving the efficiency of the utilization of various resources and to the use of renewable materials that pose lower impacts on the environment?</p> <p>(2)Has the Company established and implemented an appropriate environment management system in accordance with the nature and characteristics of the industry to which it belongs?</p> <p>(3)What is the level of the Company's awareness of the effects of climate change on its business activities, and has it developed corporate strategies aimed at the reduction of carbon and greenhouse gas emissions?</p>	✓		<p>(1) Please refer to pages 73~76 of the Company’s CSR Report ;</p> <p>(2) Please refer to pages 40~41、51~53 of the Company’s CSR Report ;</p> <p>(3) Please refer to pages 77~78 of the Company’s CSR Report.</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>3.Promoting social welfare</p> <p>(1) Does the Company observe the relevant labor laws and internationally-recognized labor right principles, aiming to protect the lawful rights and interests of its employees, and to ensure a non-discriminating employment policy? To this means, has the Company established adequate management methodologies, procedures, and monitoring mechanisms?</p> <p>(2) Has the Company set up employee grievance mechanisms and channels, and handled these grievances in an appropriate manner?</p> <p>(3) Does the Company practice in providing employees with a safe and healthy working environment, and in implementing training focused on safety and health for employees on a regular basis?</p> <p>(4) Has the Company also implemented a periodic employee communication mechanism, and in the event of any operational change that may impact employees, are employees are reasonably notified and advised of these changes?</p> <p>(5) Has the Company established an effective career development plan for its employees?</p> <p>(6) Has the Company set up appropriate consumer protection policy and complaint-filing procedures for its operations in R&D, procurement, production, operation and processing divisions?</p> <p>(7) Does the Company comply with related laws, regulations, and international standards for the marketing and labels on its products and services?</p> <p>(8) Prior to signing contracts with suppliers, has the Company assessed whether these suppliers hold any</p>	✓		<p>(1) Please refer to pages 51~54 of the Company’s CSR Report ;</p> <p>(2) Please refer to pages 102~103 of the Company’s CSR Report ;</p> <p>(3) Please refer to pages 108~109 of the Company’s CSR Report ;</p> <p>(4) Please refer to pages 102~104 of the Company’s CSR Report ;</p> <p>(5) Please refer to pages 99~101 of the Company’s CSR Report ;</p> <p>(6) Please refer to pages 62~65 、 88 of the Company’s CSR Report ;</p> <p>(7) Please refer to pages 44~46 of the Company’s CSR Report ;</p> <p>(8) ~ (9) Please refer to pages 48~57 of the Company’s CSR Report.</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
past record of posing significant impacts on the environment and society? (9) Does the company's contract with its primary supplier contain any immediate termination or cancellation clauses for when the supplier violates its corporate social responsibility policy, and poses a significant impact on the environment and society?				
4.Enhancing information disclosure The manner in which the company discloses information related to corporate social responsibility that concerns relevance and reliability. Has the Company compiled a Corporate Social Responsibility Report and disclosing its work towards the promotion of corporate social responsibility?	✓		Please refer to pages 4 and 14 of the Company’s CSR Report.	The Company has not yet drafted the Corporate Social Responsibility Report, but will do so depending on practical needs in the future.
5.If the Company has established its own corporate social responsibility codes of conduct based on "Corporate social responsibility codes of practice of listed companies," describe its operations and discrepancies with the standards: The Board of Directors of the Company has adopted the Code of Practice on Corporate Social Responsibility for Compliance on 16 December 2016 and has followed this Code to facilitate the operation.				
6.Other important information that may help to clarify the status of the Company's corporate social responsibility (such as the systems and measures adopted by the Company's on environmental protection, community involvement, contributions to the society, social services, social welfare, consumer rights and human rights as well as security and health, together with the results of these activities): (1)Environmental protection: Please refer to pages 71~88 of the Company’s CSR Report. (2)Community involvement, social contributions, social services, social welfare, human rights, security, health and other social responsibility activities: Please refer to pages 114~-117 of the Company’s CSR Report.				
7.Provide description for any of the Company's products or corporate social responsibility reports that have received certifications from relevant accreditation bodies: (1)Company products: The company requires important category of products (including non-private brand) to be 100% passed by third party notarized inspection, then to be able on shelf. Please refer to the corporate social responsibility report on page 41. (2)Corporate social responsibility reports: Please refer to pages 4 of the Company’s CSR Report.				

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

Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanatory memorandum	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Are the Company's guidelines on corporate conduct and ethics provided in its internal policies and disclosed publicly? Have the Board of Directors and the management team sufficiently demonstrated their commitments to implement these policies?</p> <p>(2) Has the Company established relevant policies for preventing any unethical conduct? Are the implementations of the relevant procedures, guidelines, and training mechanism provided in the policies?</p> <p>(3) Has the Company established appropriate measures in the relevant policies for preventing bribery and illegal political contribution for higher levels of potential unethical conduct?</p>	✓		<p>(1) The Company has Business Integrity Policy, and human resources unit is responsible for the implementation. The unit regularly reports on the implementations to the Board. Our corporate culture is based on the integrity of business management. The Company has included in its internal rules a set of Employee Integrity Policy and the "Group Guidelines Governing Employee Award and Disciplinary Actions". The Company has also explicitly expressed its business principles of integrity and abides by the law in all commercial agreements entered into with the customers and suppliers.</p> <p>(2) The HR department of the Company requests all employees to sign an "Integrity Declaration and Undertaking" on a regular basis and announces related laws and compliance from time to time.</p> <p>(3) The Company prohibits the use and acceptance of bribery, illegal campaign contributions, improper charity donations, the offering or accepting of unreasonable gifts, hospitality, or any other improper benefits. Violators are punished pursuant to regulations. The Company has invested in crime insurance. Any violator of the Business Integrity Policy (or relevant regulations) will be severely disciplined, including immediate dismissal and termination of business relationship.</p>	consistent

<p>2. Corporate Conduct and Ethics Compliance Practice</p> <p>(1) Has the Company implemented measures to prevent doing business with those who hold unethical records, and also included business conduct and ethics-related clauses in its business contracts?</p> <p>(2) Has the the Company set up a dedicated unit in charge of promotion and execution of the company’s corporate conduct and ethics, and is the Board of Directors supervisory to the execution and compliance of the policies?</p> <p>(3) Has the Company established policies to prevent conflict of interest and provided appropriate channels for communication and complaint?</p> <p>(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and have the Company’s internal auditors audited such execution and compliance?</p> <p>(5) Does the Company host routine internal and external training geared towards business integrity practices?</p>	✓		<p>(1) The Company has incorporated the relevant provisions on the integrity of behavior into all commercial agreements.</p> <p>(2) The Company shall establish its "Code of Ethics for Business Management" within this year and shall assign a full-time business unit to take charge of its implementations and to report the actual status to the Board of Directors from time to time.</p> <p>(3) From time to time, the Company communicates with its employees on the integrity of business operations and reminds them to observe the principles of honesty and to abide by the law. The Company also provides an email address and telephone number Department for reporting violations.</p> <p>(4) The Board has approved of the "Code of Ethics for Business Management" on November 11, 2013. This will go into the annual internal audit plan of the next year after it has been approved by the Board of Directors.</p> <p>(5) The Company hosts sessions geared toward business integrity practices annually and publicity with staff signature. As for external training, the Company promotes its integrity practices concept to suppliers during the annual supplier meetings, and also delivers these messages to suppliers from time to time.</p>	consistent
<p>3. Has the Company established channels for reporting any ethical irregularities and set up appropriate punitive measures for violations of the policies?</p> <p>(1) Has the Company set in place specific reporting and rewarding systems, as well as constructed a pipeline to facilitate in reporting, and assigned appropriate specialist staff for handle the personnel being reported on?</p> <p>(2) Has the Company set up standard operating procedures and related confidentiality system for handling and investigating reports that have been received?</p> <p>(3) Has the Company taken measures to ensure that whistleblowers are not subjected to inappropriate treatment from the reporting actions?</p>	✓		<p>(1) Integrity is a part of the Company's corporate culture. According to the "Group Guidelines Governing Employee Award and Disciplinary Actions", employees who have violated the Company’s integrity principles shall be dismissed.</p> <p>(2) Violations may be reported through the designated email address or telephone number provided by the Human Resources Department. Where necessary, employees are welcome to contact HR directly.</p> <p>(3) The Company shall facilitate a Group Reporting Mechanism this year, thereby activating the Group’s reporting and investigation procedures.</p>	consistent

<p>4. Information Disclosure Has the Company disclosed information regarding its corporate social responsibility, which pertains to the Company's relevance and reliability, on its corporate website and the MOPS?</p>	✓		<p>The Company implements Business Integrity Policy and Procedures for Ethical Management and Guidelines for Conduct, and publicly announced this information on our official website. The Company has clearly disclosed its corporate values of integrity, accountability, modesty, customer-driven and high performance on our company website.</p>	consistent
<p>5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancies between the policies and their implementation. : None.</p>				
<p>6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promoting and demonstrating the company's commitment to keeping in line with ethical standards, providing training to its business partners, and reviewing the company's corporate conduct and ethics policy). The Board has approved the Corporate Governance guidelines and Regulations on November 11, 2013, and Updated on December 16, 2016 and approved the execution guidance of Ethical Management and Guidelines, and announced this information website. The HR department of the Company requests all employees to sign an "Integrity Declaration and Undertaking" on a regular basis. The purpose is to communicate with the employees the importance of personal integrity and work-related honesty, as well as the obligations they should fulfill. We have been, from time to time, communicating with our suppliers our corporate values of integrity, accountability, modesty, customer-driven and high performance. We have also incorporated the relevant provisions on the integrity of behavior into our commercial agreements.</p>				

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

3.4.8 Other Important Information Regarding Corporate Governance :

1. Managers' training records :

Position	Name	Date of Study	Hosting Institution	Name of Course/Program	Hours of Study
President	Sophia Tong	2016/9/12	Taiwan Corporate Governance Association	Three principles of diligent management, corporate governance and CSR.	3.0
Vice President	Robin Ho	2016/9/12	Taiwan Corporate Governance Association	Three principles of diligent management, corporate governance and CSR.	3.0
		2016/10/20	Taiwan Corporate Governance Association	Group Governance	3.0
Vice President	Hannis Chang	2016/9/12	Taiwan Corporate Governance Association	Three principles of diligent management, corporate governance and CSR.	3.0
		2016/10/20	Taiwan Corporate Governance Association	Group Governance	3.0
Accounting Supervisor	Linda Lin	2016/12/19-23	Accounting Research and Development Foundation, R.O.C.	Continuing Studies for Accounting Supervisors in Issuers of Securities Dealers Exchange	12.0
		2016/9/12	Taiwan Corporate Governance Association	Three principles of diligent management, corporate governance and CSR.	3.0
		2016/10/20	Taiwan Corporate Governance Association	Group Governance	3.0
Auditing Supervisor	Lancy Wu	2016/3/3	Taiwan Institute of Internal Auditors	Risk and Corporate Social Responsibility - Corporate Governance and Internal Audit	3.0
		2016/6/20	Taiwan Institute of Internal Auditors	From the latest fraud report research and trend analysis, see corporate fraud detection mechanism	3.0
		2016/8/20	Taiwan Computer Audit Association	Digital Power: Forum of Risk, Governance and Publicity Audit	4.0
		2016/9/12	Taiwan Corporate Governance Association	Three principles of diligent management, corporate governance and CSR.	3.0
		2016/10/06-07	Taiwan Corporate Governance Association	Group Governance	9.0
		2016/10/20	Taiwan Corporate Governance Association	The 12th Corporate Governance International Summit Forum: Creating a New Taiwan Competitiveness	3.0

2. Employees' certification related to financial transparency :

Name	Certification
Lancy Wu	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Paul Chen	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Certification in Control Self-Assessment (CCSA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Lynn Lee	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA) 、 Certification in Risk Management Assurance (CRMA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Weilin Chen	Internal Control of Corporation Test of Securities and Futures Institute
Johnny Huang	Internal Control of Corporation Test of Securities and Futures Institute 、 Internal Bank Controls the Basic Test for Compliance Certification
Avery Chang	Internal Control of Corporation Test of Securities and Futures Institute 、 Internal Bank Controls the Basic Test for Compliance Certification 、 The Senior Securities Specialist 、 The Securities Investment Trust and Consulting Professionals

Vivian Ko	Internal Control of Corporation Test of Securities and Futures Institute
Marilyn Ho	Internal Control of Corporation Test of Securities and Futures Institute
Wukun Yang	Internal Control of Corporation Test of Securities and Futures Institute
Claire Lin	Qualified Internal Auditor (QIA) 、 Internal Control of Corporation Test of Securities and Futures Institute 、 Proficiency Test for Financial Planning Personnel 、 The Securities Specialist 、 For taking Investment Trust and Consulting Regulations(including Professional Ethics Rules) 、「 Proficiency Test for Trust Operations Personnel
Doris Yang	Qualified Internal Auditor (QIA) 、 Certified Internal Auditor (CIA)
Amy Chen	Internal Control of Corporation Test of Securities and Futures Institute
Tiffany Chang	Internal Control of Corporation Test of Securities and Futures Institute
Raise Yen	Shares Officer Test of Securities and Futures Institute 、 Internal Control of Corporation Test of Securities and Futures Institute
Judy Chen	American accountant

3.4.9 Internal Control System :

Test Rite International Co., Ltd.

Statement of Declaration on Internal Control System

Date: March 24, 2017

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2016:

1. The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2016, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of the Company's Annual Report for the year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 24, 2017, with none of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Test Rite International Co., Ltd.

Chairman : Judy Lee

President : Sophia Tong

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

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

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

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

The 2016 Stockholder's General Meeting for Test Rite Corporation was held on June 23, 2016 at the Meeting Room, sixth floor, No. 23, Sec. 3, Hsinhu Rd., Neihu District, Taipei City. The matters passed by the shareholders in attendance and their execution are as follows:

(1) The amendments to the internal rules of the company are as follows :

A. company policy ◦

●Execution: resolved to pass, the Articles has been published on the Company's website.

(2) Acknowledged the sales report and financial reports and consolidated financial statements of the 2015 fiscal year. Execution Cum consolidated financial statements:

●Execution: resolved pass, consolidated financial statements have been published in the Market Observation Post System and the company's website.

(3) Acknowledged the motion for earnings distribution for the 2015 fiscal year.

●Execution: resolved to pass, the Board of Directors have approved the convening cash dividend on July 1 2016. The ex-dividend date is July 24 2016 and the payment date is August 10 2016 .The total amount was as NT \$ 484,393,180.

(4) Passed the motion to issue common stock to raise cash capital using the book building method.

●Execution: resolved to pass, the Company has revoked the case on March 24, 2017 due to the consideration of the market conditions and the overall planning and fund-raising of the company.

2. Important resolutions of the Board of Directors:

The Company has held 8 Board of Director Meetings, from May 21, 2016 to May 20, 2017. Abstracts of important resolutions are as follows:

Date of the Board of Directors Meeting	Abstract of Important Resolutions
July 1, 2016	Passed the motions relating to the Company's profit-sharing, and cash dividend distribution for 2015. Passed the remuneration of the Remuneration Committee of the Company. Passed the motion for allocation of remuneration for the Company's directors and supervisors for 2015. Passed the changeable of CFO and spokesman of the Company.
Aug 11, 2016	Reported on Test Rite Co, Ltd's consolidated financial results for Q2 2016. Reported on Test Rite Co, Ltd's audit business report for Q2 2016.
Nov. 10, 2016	Reported on Test Rite Co, Ltd's CSR report for 2016. Reported on Test Rite Co, Ltd's consolidated financial results for Q3 2016. Reported on Test Rite Co, Ltd's audit business report for Q3 2016. Passed the motion for managers' profit sharing of employee's benefits for 2015, and year-end bonus allocation for 2016.
Dec. 16, 2016	Reported on the supervisory implement of the Company's ethical corporate management policies and prevention programs. Passed the motion for the Company's operational plan and budget for 2017. Passed the motion to implement the Company's internal audit plan for 2017. Passed the motion to amend the Company's "Internal Control System" and "Details on Implementation of Internal Audit". Passed the amendments to sections of the "Corporate Social Responsibility Best Practice Principles". Passed the amendments to sections of the "Ethical Corporate Management Best Practice Principles" and Procedures for Ethical Management and Guidelines for Conduct" Passed the motion to assess the independence of the Company's CPA

Jan. 23, 2017	Passed the motion for company managers' performance-based bonus allocation for 2016. Passed to supplement to partial management procedure of "Internal Control System" and "Details on Implementation of Internal Audit" Company's "Internal Control System" and "Details on Implementation of Internal Audit". Passed the Company monetary loans to subsidiaries.
Mar. 24, 2017	Passed the motion for allocation of compensation for the Company's directors and supervisors, and for the Company's employee bonus 2016. Reported on Test Rite Co, Ltd's Operational Highlights and consolidated financial results for 2016. Passed the motion for profit-sharing for 2016. Passed cash distributed from capital surplus. Passed the motion for the statement of the Company's internal control system for 2016. Passed the plan to revoke the previous motion passed at the Stockholder's General Meeting of issuing common stock to raise capital through the book building method.. Passed the motion to issue common stock to raise capital through the book building method. Passed the motion to call for the Company's Stockholder's General Meeting for 2017.
Apr. 26, 2017	Reported on Test Rite Co, Ltd's audit business report for Q1 2017. Passed to supplement agenda for the Company's Stockholder's General Meeting for 2017.
May.11.2017	Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2017.

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

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

3.5 Information of Accountant's Fees

Auditors	Name	Period	Remark
Deloitte & Touche	HONG, KUO-TYAN, WU, KER-CHANG	2016/1/1-2016/12/31	None

Item		Audited fee	Non-audited fee		Total
Range			Other		
1	Less than 2,000,000	0	835		835
2	2,000,000~4,000,000	3,500	0		3,500
3	4,000,000~6,000,000	0	0		0
4	6,000,000~8,000,000	0	0		0
5	8,000,000~10,000,00	0	0		0
6	More than 10,000,000	0	0		0

Auditors	Name	Audited fee	Non-audited fee					Period	Remark
			System Design	Business registration	Human Resources	Other	Subtotal		
Deloitte & Touche	HONG, KUO-TYAN, WU, KER-CHANG	3,500	0	30	0	805	835	2016	Annual Meeting of Shareholders-50 ; Public fee -705 ; The business tax straight line deducts the law-50.

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

(Unit : Share)

Title	Name	2016		As of April 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairwoman	Judy Lee	0	0	0	0
Director	Tony Ho	(5,000,000)	0	0	0
Director	Robin Ho	25,000	0	0	0
Director	Property Co., Ltd.	0	0	0	0
Independent Director	Hung-Hsun Ting	0	0	0	0
Independent Director	Ting-Yang Liu	0	0	0	0
Supervisor	Tsai-Chi Co., Ltd.	0	0	0	0
President	Sophia Tong	0	0	0	0
VP	John Peng	0	0	0	0
VP	Gillian Joe	0	0	0	0
VP	Alfred Chang	0	0	0	0
VP	Lawrence Wu	0	0	0	0
VP	Jane Peng	0	0	0	0
VP	Bob Yueh	0	0	0	0
VP	Edward Kao	(30,000)	0	0	0
VP	Paul Wang	0	0	0	0
VP	Tracy Tsai	0	0	0	0
VP	Robin Ho	25,000	0	0	0
VP	CC Fan	0	0	0	0
VP	Maggy Chen	0	0	0	0
VP	Linda Lin	0	0	0	0
VP	Shelly Chen	(9,000)	0	0	0
VP	Ted Ho	0	0	0	0
VP	Charlene.Kao*	0	0	0	0
VP	Lancy Wu	(40,000)	0	0	0
VP	Monica Chen	0	0	0	0
AVP	Alex Yu	0	0	0	0
AVP	Austin Lin	0	0	0	0
AVP	Johnson Lee	0	0	0	0
AVP	Hampfrey Wang	0	0	0	0
AVP	Tracy Leu	0	0	(9,000)	0
AVP	Dick Ko	0	0	0	0
AVP	Eddie Wei	0	0	0	0
AVP	Jenny Chen	0	0	0	0
AVP	Celine Hsien	0	0	0	0

Title	Name	2016		As of April 30, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
AVP	Jennie Hsu	0	0	0	0
AVP	Bruce Shen	0	0	0	0
AVP	Eric.Chang*	0	0	0	0
AVP	Antyia.Tsai*	NA	NA	0	0
AVP	Jamie.Kuo*	NA	NA	0	0

*VP Charlene Kao joined in August 2016;

* AVP Eric Chang joined in July 2016; AVP Antyia.Tsai joined in February 2017; AVP Jamie.Kuo joined in April 2017;

Shares Trading with Related Parties : None

Shares Pledge with Related Parties : None

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

Date: April 17, 2017

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tsai Ye Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	50,500,635	9.90	0	0	0	0	Judy Lee	Relationship	-
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	48,590,395	9.53	0	0	0	0	Judy Lee	Relationship	-
Tsai Wang Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	47,000,000	9.22	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Tony Ho	38,995,550	7.65	25,711,294	5.04	0	0	Judy Lee	Spouse	
QualityMaster Co., Ltd. Representative: Tony Ho	36,190,774	7.10	0	0	0	0	Judy Lee Tony Ho Tsai-Chi Co., Ltd. Li Hsiung Co., Ltd. Tsai Wang Enterprise Company Limited	Relationship	
Tsai-Chi Co., Ltd. Representative: Ms. Lee, Li-Heng	32,327,389	6.34	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Li Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	31,523,263	6.18	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Fubon Life Assurance Co., Ltd. Representative: Richard M. Tsai	26,000,037	5.10	0	0	0	0	-	-	-
Judy Lee	25,711,294	5.04	38,995,550	7.65	0	0	Tony Ho	Spouse	-
P&F Brother IND., Corp. Representative: Chang Qiu Dun	24,544,000	4.81			0	0	-	-	-

3.8 Long-term Investment Ownership

Date: December 31, 2016 ; Unit : Share : %

Long-term Investment	Ownership by Test Rite		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Test-Rite Retail Co., Ltd.	24,999,999	25.00%	75,000,001	75.00%	100,000,000	100.00%
Test-Rite Home Service Co., Ltd.	0	0.00%	8,600,000	100.00%	8,600,000	100.00%
Hola Home furnishings Co., Ltd.	0	0.00%	60,000	100.00%	60,000	100.00%
Testrite Brand Agency Co., Ltd.	0	0.00%	26,780,000	100.00%	26,780,000	100.00%
Test Rite C&B Co., Ltd.	0	0.00%	21,000,000	100.00%	21,000,000	100.00%
Chung Cin Enterprise Co., Ltd.	86,700,000	100.00%	0	0.00%	86,700,000	100.00%
Tony Construction Co., Ltd.	0	0.00%	23,000,000	100.00%	23,000,000	100.00%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	8,000,000	100.00%	8,000,000	100.00%
Chung Cin Interior Design Construction Co., Ltd.	0	0.00%	1,200,000	100.00%	1,200,000	100.00%
Viet Han Co., Ltd.	0	0.00%	1,000,000	100.00%	1,000,000	100.00%
Pro-quality Service Co., Ltd.	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Lih Teh International Co., Ltd.	16,269,479	100.00%	0	0.00%	16,269,479	100.00%
Lih Chiou Co., Ltd.	419,414,000	100.00%	0	0.00%	419,414,000	100.00%
Fusion International Distribution, Inc.	5,499,838	100.00%	0	0.00%	5,499,838	100.00%
International Art Enterprise Co., Ltd.	1,000,000	100.00%	0	0.00%	1,000,000	100.00%
Test-Rite Pte. Ltd.	2,100,000	100.00%	0	0.00%	2,100,000	100.00%
Test-Rite Vietnam Co., Ltd.	950,000	95.00%	50,000	5.00%	1,000,000	100.00%
Test-Rite Product (Hong Kong) Ltd.	9,999	99.999%	1	0.001%	10,000	100.00%
Test-Rite Int'l (U.S.) Co., Ltd.	4,835.1	91.44%	452.9	8.56%	5,288	100.00%
Test-Rite Canada Co., Ltd.	100	100.00%	0	0.00%	100	100.00%
Test-Rite Int'l (Australia) Pty Ltd.	3,550,000	100.00%	0	0.00%	3,550,000	100.00%
Test-Rite (UK) Co., Ltd.	775,930	100.00%	0	0.00%	775,930	100.00%
Test-Rite Development Co., Ltd.	23,670,000	100.00%	0	0.00%	23,670,000	100.00%
Test-Rite Star Co., Ltd.	1,089,000	100.00%	0	0.00%	1,089,000	100.00%
Test-Rite Investment Co., Ltd.	500,000	100.00%	0	0.00%	500,000	100.00%
Test-Rite Retailing Co., Ltd.	108,331,000	100.00%	0	0.00%	108,331,000	100.00%
Test-Rite Trading Co., Ltd.	55,668,806	100.00%	0	0.00%	55,668,806	100.00%
Fortune Miles Co., Ltd.	30,000	100.00%	0	0.00%	30,000	100.00%
Upmaster Int'l Co., Ltd.	6,400,000	100.00%	0	0.00%	6,400,000	100.00%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Month / Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1978.07	10	200,000	2,000,000	200,000	2,000,000	Initial issue NT\$2,000,000	-	
1981.12	10	700,000	7,000,000	700,000	7,000,000	Capital injection NT\$5,000,000	-	
1983.09	10	1,700,000	17,000,000	1,700,000	17,000,000	Capital injection NT\$5,800,000 Capitalization of earnings NT\$4,200,000	-	
1984.12	10	4,700,000	47,000,000	4,700,000	47,000,000	Capital injection NT\$25,000,000 Capitalization of earnings NT\$5,000,000	-	
1987.10	10	8,000,000	80,000,000	8,000,000	80,000,000	Capital injection NT\$9,400,000 Capitalization of earnings NT\$23,600,000	-	
1988.11	10	19,000,000	190,000,000	19,000,000	190,000,000	Capital injection 78,000,000 Capitalization of earnings NT\$32,000,000	-	
1990.12	10	36,100,000	361,000,000	36,100,000	361,000,000	Capital surplus NT\$171,000,000	-	
1991.07	10	45,125,000	451,250,000	45,125,000	451,250,000	Capital surplus NT\$90,250,000	-	
1992.07	10	56,406,250	564,062,500	56,406,250	564,062,500	Capitalization of earnings NT\$67,687,500 Capital surplus NT\$45,125,000	-	
1993.08	10	100,000,000	1,000,000,000	71,018,816	710,188,160	Capitalization of earnings NT\$28,203,120 Capital surplus NT\$112,812,500 Employee bonuses NT\$5,110,040	-	

1994.08	10	150,000,000	1,500,000,000	116,137,660	1,161,376,600	Capitalization of earnings NT\$139,999,948 Employee bonuses NT\$11,376,652 Capital surplus NT\$10,000,000 Capital injection 289,811,840	-	
1995.07	10	150,000,000	1,500,000,000	129,400,000	1,294,000,000	Capital surplus NT\$116,137,660 Employee bonuses NT\$16,485,740	-	
1996.09	10	150,000,000	1,500,000,000	136,400,000	1,364,000,000	Capital surplus NT\$64,700,000 Employee bonuses NT\$5,300,000	-	
1997.08	10	183,680,000	1,836,800,000	150,920,000	1,509,200,000	Capitalization of earnings NT\$13,640,000 Employee bonuses NT\$8,800,000 Capital surplus NT\$122,760,000	-	No : (86) 111752
1998.07	10	230,000,000	2,300,000,000	167,600,000	1,676,000,000	Capitalization of earnings NT\$15,092,000 Employee bonuses NT\$15,880,000 Capital surplus NT\$135,828,000	-	No : (087) 087118452
1999.07	10	250,000,000	2,500,000,000	200,000,000	2,000,000,000	Capitalization of earnings NT\$301,680,000 Employee bonuses NT\$22,320,000	-	No : (088) 088126231
2000.10	10	370,000,000	3,700,000,000	233,500,000	2,335,000,000	Capitalization of earnings NT\$300,000,000 Employee bonuses NT\$35,000,000	-	No : (089) 135122
2001.03	10	370,000,000	3,700,000,000	239,890,794	2,398,907,940	CB conversion: NT\$63,907,940	-	No : (90) 09001094870
2001.09	10	470,000,000	4,700,000,000	283,792,955	2,837,932,670	Capitalization of earnings NT\$280,029,350 Employee bonuses NT\$34,000,000 CB conversion: NT\$124,995,380	-	No : (90) 09001369620
2001.11	10	470,000,000	4,700,000,000	287,242,245	2,872,422,450	CB conversion: NT\$34,489,780	-	No : (90) 09001414970
2002.01	10	470,000,000	4,700,000,000	287,970,127	2,879,701,270	CB conversion: NT\$7,278,820	-	No : 09101028620
2002.03	10	470,000,000	4,700,000,000	292,106,179	2,921,061,790	CB conversion: NT\$41,360,520	-	No : 09101091570

2002.05	10	470,000,000	4,700,000,000	292,126,587	2,921,265,870	CB conversion: NT\$204,080	-	No : 09101138780
2002.08	10	550,000,000	5,500,000,000	344,989,749	3,449,897,490	CB conversion: NT\$200,142,040 Capitalization of earnings NT\$285,593,580 Employee bonuses NT\$42,896,000	-	No : 09101339470
2002.10	10	550,000,000	5,500,000,000	347,892,171	3,478,921,710	CB conversion: NT\$29,024,220	-	No : 09101433810
2003.01	10	550,000,000	5,500,000,000	347,940,951	3,479,409,510	CB conversion: NT\$ 487,800	-	No : 09201019620
2004.10	10	550,000,000	5,500,000,000	370,738,598	3,707,385,980	Capitalization of earnings NT\$173,970,470 Employee bonuses NT\$54,006,000	-	No : 09201288970
2004.04	10	550,000,000	5,500,000,000	387,516,315	3,875,163,150	CB conversion: 167,777,170	-	No : 09301077730
2004.10	10	550,000,000	5,500,000,000	392,676,369	3,926,763,690	CB conversion: NT\$ 1,041,610 Employee bonuses NT\$50,558,930	-	No : 09301187640
2005.01	10	550,000,000	5,500,000,000	397,311,347	3,973,113,470	CB conversion: NT\$ 46,349,780	-	No : 09401009700
2005.05	10	550,000,000	5,500,000,000	397,946,375	3,979,463,750	CB conversion: NT\$6,350,280	-	No : 09401087750
2005.09	10	550,000,000	5,500,000,000	411,269,302	4,112,693,020	Capitalization of earnings NT\$73,589,270 Employee bonuses NT\$59,640,000	-	No : 09401189620
2005.10	10	550,000,000	5,500,000,000	413,743,746	4,137,437,460	CB conversion:NT\$24,744,440	-	No : 09401212030
2005.12	10	550,000,000	5,500,000,000	416,717,612	4,167,176,120	CB conversion:NT\$29,738,660	-	No : 09401246200
2006.08	10	660,000,000	6,600,000,000	441,307,884	4,413,078,840	CB conversion:NT\$173,910 Capitalization of earnings NT\$193,358,810 Employee bonuses NT\$52,370,000	-	No : 09501194080
2006.11	10	660,000,000	6,600,000,000	448,792,415	4,487,924,150	CB conversion: NT\$ 74,845,310	-	No : 09501265640
2007.03	10	660,000,000	6,600,000,000	448,864,578	4,488,645,780	CB conversion: NT\$ 721,630	-	No : 09601053530
2007.09	10	660,000,000	6,600,000,000	448,916,123	4,489,161,230	CB conversion: NT\$ 515,450	-	No : 09601233820

2007.12	10	660,000,000	6,600,000,000	465,243,433	4,652,434,330	CB conversion:NT\$47,865,120 Capitalization of earnings NT\$84,857,980 Employee bonuses NT\$30,550,000	-	No : 09601312360
2008.09	10	660,000,000	6,600,000,000	473,666,067	4,736,660,670	Capitalization of earnings NT\$42,696,340 Employee bonuses NT\$41,530,000	-	No : 09701225500
2009.09	10	660,000,000	6,600,000,000	481,222,872	4,812,228,720	Capitalization of earnings NT\$63,957,910 Employee bonuses NT\$11,610,140	-	No : 09801200020
2009.10	10	660,000,000	6,600,000,000	531,222,872	5,312,228,720	Capital injection NT\$500,000,000	-	No : 09801236000
2010.09	10	660,000,000	6,600,000,000	516,422,872	5,164,228,720	Cancellation of Treasury Stock NT\$148,000,000	-	No : 09901205520
2011.11	10	660,000,000	6,600,000,000	507,422,872	5,074,228,720	Cancellation of Treasury Stock NT\$90,000,000	-	No : 10001272200
2012.08	10	660,000,000	6,600,000,000	521,955,558	5,219,555,580	Capitalization of earnings NT\$145,326,860	-	No : 10101179940
2014.10	10	660,000,000	6,600,000,000	513,955,558	5,139,555,580	Cancellation of Treasury Stock NT\$80,000,000	-	No : 10301223850
2015.08	10	660,000,000	6,600,000,000	509,887,558	5,098,875,580	Cancellation of Treasury Stock NT\$40,680,000	-	No : 10401175160

As of 4/17/2017

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

4.1.2 Status of Shareholders

As of 4/17/2017

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	3	51	19,514	85	19,654
Shareholding (shares)	16	27,811,935	277,383,967	163,989,055	40,702,585	509,887,558
Percentage %	0.00	5.45	54.41	32.16	7.98	100

4.1.3 Shareholding Distribution Status

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

As of 4/17/2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage %
1 - 999	10,261	2,038,612	0.40
1000 - 5000	6,408	13,417,772	2.63
5001 - 10000	1,384	9,386,534	1.84
10001 - 15000	588	6,816,199	1.34
15001 - 20000	200	3,515,779	0.69
20001 - 30000	288	6,842,040	1.34
30001 - 40000	133	4,501,037	0.88
40001 - 50000	78	3,483,020	0.68
50001 - 100000	146	10,604,339	2.08
100001 - 200000	75	10,145,269	1.99
200001 - 400000	38	10,331,952	2.03
400001 - 600000	17	7,918,856	1.55
600001 - 800000	9	6,022,189	1.18
800001 - 1000000	3	2,716,859	0.53
1000001 or over	26	412,147,101	80.84
Total :	19,654	509,887,558	100

2.Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/17/2017

Shareholder's Name	Shareholding	
	Shares	Percentage %
Tsai Ye Enterprise Company Limited	50,500,635	9.90%
Up Master Investment Co., Ltd.	48,590,395	9.53%
Tsai Wang Enterprise Company Limited	47,000,000	9.22%
Tony Ho	38,995,550	7.65%
Quality Master Co., Ltd.	36,190,774	7.10%
Tsai-Chi Co., Ltd.	32,327,389	6.34%
Li Hsiung Co., Ltd.	31,523,263	6.18%
Fubon Life Assurance Co.,Ltd.	26,000,037	5.10%
Judy Lee	25,711,294	5.04%
P&F Brother IND., Corp.	24,544,000	4.81%

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

Unit: NT\$

Item		2015	2016 (Note1)	2017/1/1-2017/3/31 (Note3)
Market Price per Share	Highest Market Price	21.50	20.85	20.40
	Lowest Market Price	18.80	18.90	19.50
	Average Market Price	20.52	19.76	19.96
Net Worth per Share	Before Distribution	14.56	14.54	14.93
	After Distribution	13.61	13.46	-
Earnings per Share	Weighted Average Shares	507,287,558	509,887,558	509,887,558
	Diluted Earnings Per Share	1.32	1.33	0.60
Dividends per Share	Cash Dividends	0.95	1.03	-
	Stock Dividends	-	-	-
	Capital reserve	-	-	-
	Accumulated Undistributed Dividends	-	-	-
Return on Investment	Price / Earnings Ratio (Note2)	15.55	14.78	-
	Price / Dividend Ratio (Note2)	21.60	19.09	-
	Cash Dividend Yield Rate (Note2)	4.63%	5.24%	-

Note:

1. The earnings allocation plan is up for voting at the shareholders' meeting.
2. Price / Earnings Ratio = Average Market Price / Earnings per Share; Price / Dividend Ratio = Average Market Price / Cash Dividends per Share; Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
3. 2017 financial data have been duly reviewed by independent auditors.

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy

The landscape of the industry in which the Company engages business in contains various risks and uncertainties. As the life cycle of the Company's development enters the stable and mature phase and taking into account the Company's diversification, future operating plans, capital requirements and long-term financial planning, as well as considering shareholders' interests, our dividend policy shall be formulated in accordance with the provisions of the Company Act and other relevant regulatory requirements to ensure the soundness and balance of dividend distribution, the surplus available for distribution, not be less than 50% of the total shareholder dividends. Cash dividends may not be less than 10% of the total dividends. However, in the event that the cash dividend is less than NT\$0.1 per share, no cash dividends will be distributed. Instead the dividends will be distributed via stock dividends.

2. Proposed Distribution of Dividend

The Company's audited 2016 financial statements indicate that the net profit totaled to NT\$676,028,559, Adjust the adjusted investment retained earnings based on equity method of NT\$(33,386,294) and the remeasurements of beneficial plan is recognized in retained earnings of NT\$(33,773,905), adding the undistributed retain of NT\$597,342, 10% for Legal reservation of NT\$(60,946,570), the surplus available for distribution was NT\$530,235,830.

The Company intends to allocate shareholder's dividends in the amount of NT\$52,184,185 in accordance with the provisions of the Articles of Incorporation (with priority given to the allocation of earnings of the current year). With the total number of shares issued as of April 17, 2017 (ex-dividend date) being 509,887,558 shares, and consequently the cash dividend per share is NT\$1.03; In addition, Cash distributed from capital surplus totaled NT\$25,494,378 dollars. Total outstanding shares as of April 17th 2017 is 509,887,558 shares. Accordingly, each eligible share will receive a cash dividend payout of NT\$ 0.05 per share (payout amount of less than NT\$1 will be not be distributed).

4.1.7 The impact of the company's operating performance and earnings per share on stock dividends proposed in the shareholders' meeting

It's not applicable because the company does not disclose the financial prediction of 2014.

4.1.8 Employee, Director, and Supervisors' Remuneration

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

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

2. After the end of the fiscal year, should the Board of Directors resolve that the amount of monies to be distributed is to be changed significantly, the original provision of annual expenditure shall be adjusted, no less than 1%, and no more than 2% of the annual profit (i.e. the earnings before tax of the current year less the profit allocated to remuneration of employees and of directors and supervisors) shall be allocated to remuneration of employees and of directors and supervisors, respectively. If there is further adjustment of the aforesaid monies up to the date of the Board's meeting, then the Board of Directors shall resolve that annual adjustment entries be recorded in accordance with accounting estimates thereof.

3.The Board of Directors approved remuneration information:

- (1).The company’s Remuneration of employees and of directors distribution in 2016,in accordance with the provisions of the Articles of Association of the Company, was approved by the Board of Directors on March 24 2017 This entailed remuneration of NT\$10,063,472 for directors and supervisors and NT\$6,708,982 .the above amount does not differ from the amount recognized in 2016 years.
- (2).The ratio of the proposed allotment of employee stock bonus amount and account for the ratio of current net income and employee remuneration: Not applicable.

4.The actual allocation of employee dividends and remuneration to directors and supervisors in the previous year compared with the distribution plan originally approved by the Board: The company ‘s Remuneration of employees and of directors distribution in 2015, The Company’s was approved by the Board of Directors on March 252016This entailed remuneration of NT\$11,069,575 for directors and supervisors and NT\$7,379,717 for employee bonuses in accordance with the provisions of the Articles of Association. The amount above is identical with that in 2015.

4.1.9 Buyback of Treasury Stock

As of 4/30/2017

Treasury stocks in Batches	11th Batch	12th Batch	13th Batch
Purpose of Buy-back	Transfer to employees	Transfer to employees	Transfer to employees
Timeframe of Buy-back	2011/8/12~2011/10/7	2011/12/2~2012/1/18	2012/5/31~2012/7/30
Price range	NTD 22~28	NTD 20~28	NTD 19.0~28.0
Class, quantity of shares bought back	20,000,000	3,000,000	11,868,000
Value in KNT\$ of bought-back shares	442,500,680	62,811,352	243,342,848
Shares sold/transferred	12,000,000	3,000,000	11,868,000
Accumulated number of company shares held	0	0	0
Percentage of total company shares held (%)	0	0	0

4.2 Issuance of Corporate Bonds : None.

4.3 Preferred Shares : None.

4.4 Issuance of Global Deposit Receipts : None.

4.5 Employee Stock Options : None.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None.

4.7 Financing Plans and Implementation : None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. The main content of the company's current business operations
 - (1) E605010 Computing Equipments Installation Construction
 - (2) E801010 Building Maintenance and Upholstery
 - (3) F101081 Wholesale of Seedling
 - (4) F101100 Wholesale of Flowers
 - (5) F101120 Wholesale of Aquarium Fishes
 - (6) F101130 Wholesale of Vegetable and Fruits
 - (7) F102020 Wholesale of Edible Oil
 - (8) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
 - (9) F102040 Wholesale of Nonalcoholic Beverages
 - (10) F102170 Wholesale of Food and Grocery
 - (11) F103010 Wholesale of Animal Feeds
 - (12) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
 - (13) F105050 Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures
 - (14) F106010 Wholesale of Ironware
 - (15) F106020 Wholesale of Articles for Daily Use
 - (16) F106030 Wholesale of Die
 - (17) F106040 Wholesale of Water Containers
 - (18) F106050 Wholesale of Pottery, Porcelain and Glassware
 - (19) F107030 Wholesale of Cleaning Preparations
 - (20) F107050 Wholesale of Manure
 - (21) F108040 Wholesale of Cosmetics
 - (22) F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
 - (23) F110010 Wholesale of Clocks and Watches
 - (24) F110020 Wholesale of Spectacles
 - (25) F111090 Wholesale of Building Materials
 - (26) F113010 Wholesale of Machinery
 - (27) F113020 Wholesale of Household Appliance
 - (28) F113030 Wholesale of Precision Instruments
 - (29) F113050 Wholesale of Computing and Business Machinery Equipment
 - (30) F113060 Wholesale of Metrological Instruments
 - (31) F113070 Wholesale of Telecom Instruments
 - (32) F113090 Wholesale of Traffic Signal Equipments and Materials
 - (33) F114010 Wholesale of Automobiles
 - (34) F114020 Wholesale of Motorcycles
 - (35) F114030 Wholesale of Motor Vehicle Parts and Supplies
 - (36) F114040 Wholesale of Bicycle Parts and Supplies
 - (37) F115010 Wholesale of Jewelry and Precious Metals
 - (38) F116010 Wholesale of Photographic Equipment
 - (39) F118010 Wholesale of Computer Software
 - (40) F119010 Wholesale of Electronic Materials
 - (41) F199990 Other Wholesale Trade
 - (42) F201010 Retail sale of Agricultural Products
 - (43) F201020 Retail sale of Husbandry Products
 - (44) F201061 Retail sale of Seedling
 - (45) F201070 Retail sale of Flowers
 - (46) F201090 Retail Sale of Aquarium Fishes

- (47) F202010 Retail sale of Animal Feeds
- (48) F203020 Retail Sale of Tobacco and Alcoholic Drinks
- (49) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
- (50) F205040 Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
- (51) F206010 Retail Sale of Ironware
- (52) F206020 Retail Sale of Articles for Daily Use
- (53) F207030 Retail Sale of Cleaning Preparations
- (54) F207050 Retail Sale of Manure
- (55) F208040 Retail Sale of Cosmetics
- (56) F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
- (57) F210010 Retail Sale of Watches and Clocks
- (58) F210020 Retail Sale of Spectacles
- (59) F211010 Retail Sale of Building Materials
- (60) F213010 Retail Sale of Household Appliance
- (61) F213030 Retail sale of Computing and Business Machinery Equipment
- (62) F213040 Retail Sale of Precision Instruments
- (63) F213050 Retail Sale of Metrological Instruments
- (64) F213080 Retail Sale of Other Machinery and Equipment
- (65) F214010 Retail Sale of Automobiles
- (66) F214030 Retail Sale of Motor Vehicle Parts and Supplies
- (67) F214040 Retail Sale of Bicycles and Parts
- (68) F215010 Retail Sale of Jewelry and Precious Spectacles Metals
- (69) F216010 Retail Sale of Photographic Equipment
- (70) F218010 Retail Sale of Computer Software
- (71) F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified
- (72) F301020 Supermarkets
- (73) F399040 Retail Business Without Shop
- (74) F399010 Supermarkets
- (75) F401010 International Trade
- (76) F401071 Export and Import of Seedling
- (77) F501060 Restaurants
- (78) G801010 Warehousing and Storage
- (79) H701020 Industrial Factory Buildings Lease Construction and Development
- (80) H701010 Residence and Buildings Lease Construction and Development
- (81) H703090 Real Estate Commerce
- (82) H703100 Real Estate Rental and Leasing
- (83) I102010 Investment Consultancy
- (84) I103060 Management Consulting Services
- (85) I301010 Software Design Services
- (86) I301020 Data Processing Services
- (87) I301030 Digital Information Supply Services
- (88) I401010 General Advertising Services
- (89) I501010 Product Designing
- (90) I503010 Landscape and Interior Designing
- (91) IZ99990 Other Industry and Commerce Services Not Elsewhere Classified
- (92) J801030 Athletics and Recreational Sports Stadium
- (93) JE01010 Rental and Leasing Business
- (94) ZZ99999 Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations
- (95) A102060 Grain Commerce
- (96) F108031 Wholesale of Drugs, Medical Goods
- (97) F208031 Retail sale of Medical Equipments

- (98) C501060 Wooden Container Manufacturing
- (99) C805990 Other Plastic Products Manufacturing
- (100) C901010 Pottery and Ceramics Products Manufacturing
- (101) CA02050 Metal Valves Manufacturing
- (102) CA02060 Metal Containers Manufacturing
- (103) CB01010 Machinery and Equipment Manufacturing
- (104) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- (105) CN01010 Furniture and Fixtures Manufacturing
- (106) CR01010 Fuel Gas Equipments, Materials and Parts Manufacturing
- (107) D301010 Water Supply
- (108) E502010 Fuel Pipe Construction
- (109) E599010 Pipe Lines Construction
- (110) E601010 Electric Appliance Construction
- (111) E601020 Electric Appliance Installation
- (112) E603130 Gas water heater Appliance Construction
- (113) E604010 Machinery Installation Construction
- (114) E801070 Kitchen and Bath Facilities Construction
- (115) F113990 Wholesale of Other Machinery and Equipment
- (116) F206040 Retail Sale of Water Containers

2. Percentage of total revenue of each product or service

(Unit : NTD thousand)

Year Division	2015		2016	
	Amount	%	Amount	%
Principal Trading	12,800,789	35.6%	12,760,304	36.0%
Agency Commission	237,288	0.7%	345,189	1.0%
Taiwan Retail	17,311,988	48.1%	17,591,549	49.6%
China Retail	3,997,276	11.1%	3,584,021	10.1%
Others	1,634,110	4.5%	1,162,381	3.3%
Total	35,981,451	100.0%	35,443,444	100.0%

3. Currently the Company's main products (services) are as follows:

The Company's trading business engages in the import and export of household products and licensing businesses, including DIY hand tools, hardware, ceiling fans, lighting fixtures and other electrical appliances, bathroom facilities, indoor/outdoor furniture, and other household items. Our retail businesses in Taiwan and China are engaged in similar products, sales and marketing of mattresses and bedding, brand licensing directly with consumers. Affiliated businesses include: the design team, which conducts product design, packaging design, and industrial design; the construction team, which conducts marketplace construction, office building construction and investment promotions, as well as logistics and warehousing services for China, Taiwan, the US, and Europe.

4. New products (services) under development:

- (1) Development of effort-saving hand tools and related products: Hand tools remain one of the major categories of products shipped by the Company and accounting for approximately 20% of the exported amount in 2016. In addition to the providing comprehensive features in professional tools, effort-saving is a major point of consideration for consumers. With the principles of structural mechanics and leverage, the design of hand tools must take into account not only the innovative appearance but also ergonomics in order to meet market demand.

- (2) Development LED energy-saving lamps and related products:
- A. The advocacy for energy conservation is no longer merely a slogan in Europe and North America. Governments have incorporated relevant measures into legislations and policies to encourage investments by private enterprises.
 - B. Lamps and light fixtures are also a category of products exported by the Company. In Taiwan retail market, the Company cooperates with Japanese company, Toshiba, to develop LED ceiling lights and launch TLW private label LED light bulb.
- (3) Development of HOLA private label products:
- Test Rite has already achieved good progress in several categories such as bedding, textile, dining wares. HOLA private label has already accounted for more than 30% of its total sales. We further published the new cooking ware products like stainless, non-stick, and cast-iron series.

5.1.2 Industry Overview

1. Current status and development of the industries

The Company was founded in August 1978. During its earlier years, the Company had focused on the export of hand tools and hardware. As the Company's client base expanded, now we have more than 4,000 suppliers, and our product offerings have also increased to include from DIY hand tools and hardware to ceiling fans, light fixtures and other electrical appliances, bathroom equipment, indoor/outdoor furniture and other household items. The Company also gradually expanded operations into China, Southeast Asia (Hong Kong, Thailand and Singapore), Europe (Germany and the U.K.) and Australia by setting up subsidiaries, representative offices or branch offices. In 1989, the Company targeted Taiwan's domestic retail market and established a domestic sales/import team, targeting that customer segment who frequents major discount store customers. By leveraging the company's sourcing capabilities, the domestic sales/import team introduced 1,000+ products that were originally sourced for the export market exclusively, to the consumers in Taiwan. There are six primary categories by distinct product lines, including seasonal merchandise, outdoors, hardware and automotive, housing supplies, stationery, furniture and interior products, in addition to electronics and lighting products. Additionally, in recent years we have also gradually strengthened our licensing sales.

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

In 2013 we build up HOLA Petite, the brand derives its name from the French word 'petite', meaning 'dainty' and 'delicate'. It focuses on three lifestyle essentials: comfortable bedding, rejuvenating baths and enriching dining experiences. These are manifested in a real life interior design space, creating a sensual shopping experience. Visitors' senses of touch, sight, smell, sound and taste are enhanced, whilst being engrossed in a tasteful French home lifestyle environment. In 2015, Test-Rite became the franchisee of the reputed American home décor store, Crate&Barrel. By introducing the classic American style brand to Taiwan, Test-Rite expects to continue expanding its leading market share in home décor category.

Below we describe the industry dynamics for trading, purchasing agency and retail:

(1) Market Conditions of the trading business

From the early import-substitution policy and export expansion policy in the 1960s to the current policy of trade liberalization and internationalization, Taiwan has experienced rapid trade expansion. Over the past 20 years extending from 2007 to 2015, Taiwan's total trade volume has increased significantly (refer to table below). Meanwhile, trade with other countries has become the key driving force behind Taiwan's economic development. With China dominating as a global manufacturing center, trade with the mainland has picked up rapidly in recent years. In 2016, Taiwan's exports to China accounted for around 40% of its total exports,

while corresponding imports was about 20% of total imports.

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

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

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

Import/Export Amounts by Year - Taiwan

(Unit : USD million)

Year	Total exports	Export Growth rate (%)	Total imports	Import Growth rate (%)	Total amount of trade	Total trade growth rate %
2007	246,676	10.1	219,251	8.2	465,928	9.2
2008	255,628	3.6	240,447	9.7	496,076	6.5
2009	203,674	-20.3	174,370	-27.5	378,045	-23.8
2010	274,600	34.8	251,236	44.1	525,837	39.1
2011	308,257	12.3	281,437	12.0	589,694	12.1
2012	301,180	-2.3	270,472	-3.9	571,653	-3.1
2013	305,441	1.4	269,896	-0.1	575,338	0.7
2014	313,695	2.7	274,026	1.39	587,722	2.2
2015	285,343	-10.9	237,219	-15.8	522,562	-13.2
2016	280,321	-1.8	230,568	-2.8	510,889	-2.2

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

The overall business operation of an import/export business can be more complex relative to other industries. The major factors that affect trading business include FOREX fluctuations and non-economic barriers to trade such as government policy, trade protectionism, customs, and regional alliances. The fluctuations of exchange rates can be regarded as the main factor that would affect the profitability, i.e. margins of the trading business, where as non-economic barriers can create challenging hurdles especially when expanding overseas presence in various markets.

Regional economic integration has become the mainstream of international trade and economic development at present. And with the formation of the World Trade Organization (WTO) and later the Association of Southeast Asian nations (ASEAN), when combined with the increasing frequency of cross-strait trades, the trading sector in Taiwan is now facing a new challenge. In the following we present our view of Taiwan's current trade development from the viewpoints of trade concentration, development of triangular trade, increasing scale and internationalization of customers and the trends toward multi-function trading companies.

A. Decreasing international trading in Taiwan

According to statistical data of imports and exports from the Bureau of Foreign Trade, Taiwan's trade with its primary trading partners (including China, Hong Kong, ASEAN, and Japan) decreased in 2016. Data from the Ministry of Economic Affairs show that total exports to China (including Hong Kong) amounted to USD112.3 billion in 2016, a 0.2% year-on-year decrease. Total imports were USD 45.3 billion (down 3.02% from a year ago). Total exports to ASEAN countries decreased 0.6% year-on-year, while total imports declined 6.5%. Imports from United State were decreased 3%, and exports decreased 2%. The delay signing of the Cross-Strait Service Trade Agreement and the lack of TPP and RCEP membership will make Taiwan's international trading business more challenging in the future.

Regional trade concentration indicator

(Unit : USD100million; %)

Year	Total amount of trade	Export value	Import value	Taiwan to China export amount	China to Taiwan import amount	Taiwan - Top three countries with highest degrees of export concentration	Taiwan - Top three countries with highest degrees of import concentration
2007	465,928	246,676	219,251	100,396	29,839	68.24	45.41
2008	496,076	255,628	240,447	99,573	32,883	66.06	43.69
2009	378,045	203,674	174,370	83,693	25,545	67.51	46.79
2010	525,837	274,600	251,236	114,741	37,573	68.35	47.11
2011	589,694	308,257	281,437	124,044	45,271	68.55	46.27
2012	571,653	301,180	270,472	118,646	43,566	68.90	45.34
2013	575,338	305,441	269,896	121,221	44,247	69.37	44.42
2014	587,722	313,695	274,026	124,653	49,725	69.58	45.58
2015	522,562	285,343	237,219	112,539	46,733	69.60	48.40
2016	510,889	280,321	230,568	112,277	43,321	70.31	49.05

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

In 2016, the top three countries/regions for Taiwan's exports are: China/Hong Kong, ASEAN countries, United States; the top three countries/regions from which Taiwan imports are: China/Hong Kong, Japan, Europe.

B. Proportion of triangular trade has increased

The Majority of Taiwanese trading companies are small to medium in size and have performed well historically, given their wealth of experience in foreign trade, knowledge and flexibility in operations, and the relative political stability of Taiwan in the past several decades relative to Southeast Asian countries and China. In recent years, labor intensive manufacturing businesses have graduated shifted their operational base out of Taiwan. Likely destinations include China and other ASEAN nations, which offer tax benefits and skilled, yet low cost labor. This has shifted the fundamentals the trading sector as companies begin to source from suppliers outside of Taiwan, resulting in the increase in triangular trade.

Moreover, distributors and retailers serving consumers in end markets have benefited from increase in scalability and internalization. As a result, the supply and demand structure of the upstream and downstream sectors of trading sector in Taiwan have shifted to accommodate the change in the competitive landscape. In fact, trading companies must rely on triangular trade to thrive and to seek cheaper resources from overseas markets in order to fill the void left by the loss of price competitiveness as manufacturing base relocate to China and ASEAN regions.

C. Impact on Taiwan's trading sector due to the growth in size of manufacturers, trading companies and retailers

Following decades of industrial development both at home and abroad, manufacturers have benefited from significant increase in production scale. Given the increase in scale, large manufacturers has benefitted from more efficient production given lower production and labor costs, while improving their relationships with key customers. Larger trading companies too are also able leverage development of global trades and benefit from scalable logistics and procurement capabilities. However, this scenario enervates the impact for small and medium trading companies, who are forced to accept lower margins with higher complexity for single orders such as smaller quantity and higher SKUs compared with more mainstream, scalable and repeatable orders.

The rapid development of sales channels has also contributed to the growth of large multinational retail chains. These large retailers have not only gained dominating pricing powers; their transnational procurement activities have also contributed to domestic traders developing multinational logistics and procurement services, thereby furthering increasing the speed of the transformation of the trading business where smaller players are gradually marginalized.

D. Trading firms are equipped with multiple functions such as after-sales services, warehousing and logistics

As global retailers continue to increase in size, they are able to gain bargaining leverage on their suppliers, which include manufacturers, distributors and trading companies. Consequently, these global retailers continues to demand better pricing, the newest and exclusive designs, and other services such as financing, and logistic.

As such, role player traditional companies have evolved from companies providing simple buy and sell functions to companies with multi-national and multi-functional teams that able to provide services such as product marketing, warehouse logistics, QA/QC, and after sale customer service.

Taiwan's trade industry is expected to benefit from the signing of Economic Cooperation Framework Agreement (ECFA) with China. As economic activities increase, Taiwanese trading companies can benefit from their experience in international trade to strengthen communication between multi-national retailers (customers) and various players along the supply chain.

Trading companies are also well positioned to benefit from to develop additional brand licensing opportunities to tap the fast growing demand of Chinese consumers. For Test-Rite, we have already partnered with various global houseware/product brands for Taiwan and China markets.

(2)Principal trading

Output from traditional trading reached NTD12.3 billion in 2016, which represented decrease of 0.3% over the previous year, and accounted for 54% of the consolidated output for all trade. Test Rite major products include hand tools (including hand tools and gardening tools; which account for 35% of traditional trading revenue) and household items (including sanitary equipment, automo supplies, fireplace equipment and supplies, furniture, Christmas and seasonal products, and barbecue utensils; which account for 57% of traditional trading revenue), making Test Rite the largest professional hand tools and household products trading company in Taiwan. Below we provide further analysis on the Company's key product offerings.

The regions with the highest demand for hand tools and household products are the developed countries, with North America and Europe representing nearly 70% of the export markets for hand tools. Typically, hand tools have been relatively stable and mature in terms of their types and forms, with relatively less needs for innovation. In recent years, multifunction

tools have enjoyed phenomenal growth. However, in order to create market demand, the trend is for hand tools and household products to include multiple functions that is combined with unique designs and made with differentiating materials/colors/shapes. And in several instances, creative marketing campaigns are aligned/partnered with globally appealing pop culture there by create demand various products.

Apart from certain manufacturers of brand-name bathroom and sanitary equipment and automotive repair supplies, most of the manufacturers of these products remain relatively smaller in size. In fact, they do not have the scale or resources to brand their products nor do they have the advantages of retail operators with sales channels that have access to retail customers. In terms of manufacturers of hand tools, Japanese and German companies possess dominant technologies, though Taiwan also enjoys a high degree of competitiveness at the global level. However, China, India, and countries in Southeast Asia and Eastern Europe have flourished in the hand tools industry in recent years, as they introduced low- to medium priced products.

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

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

(3) Agency Business

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

The Agency business is the fastest-growing areas in recent years. We expect the growing trend will continue. Therefore, the Company will continue to devote to the development of sales activity in this segment, proactively expanding the number of purchasing agency clients, and maximizing growth and profit potential. The purchasing agency produced output worth NTD10.83 billion in 2016, which was increase 100% from the same period in the previous year, and accounted for approximately 37% of the consolidated trading output. Commission income from the purchasing agency business reached NTD345 million (46% from a year ago), accounting for 2.6% of total trading revenues. Storefront Retail Merchandise-

(4) Storefront Retail Merchandise

Global retail business has greatly changed in the recent. TLW and HOLA remain its leading position in DIY and home décor industry in Taiwan. However, Test-Rite very carefully tackles the changing behavior of customers. The proposed new business model of retail aims to break the boundary between online and offline. Through the integration of POS system, customers can now easily extend the selections beyond in-store products, hence breaking the limits of displaying and inventory in physical stores. By guiding the massive offline memberships to online, we hope to fully eliminate the boundary in terms of product, payments, membership and marketing. We also reinforce experiential marketing in physical stores and

create irreplaceable value of human by extending services into customers' home. As a result, the "TLW Home Improvement Service Unit" made profit for the first time in 2016 since its establishment from 2010.

Taiwan retail businesses, including TLW (DIY) and Hola Taiwan saw sales of NT\$17.6 bn and a net profit of NT\$604 mn in FY2016. Affected by the chill real-estate market in Taiwan, consumers' demands for replacement of household items are lowered. According to the government department of statistics, the wholesale of household items and building materials dropped at 4.85% and 2.78% YOY separately in 2016, both showing the biggest downturn in the past decade.

Year	Household item sales (NTD 100 millions)	Household item growth rate (%)	Building materials sales (NTD 100 millions)	Building materials growth rate (%)
2007	2,786	4.35	444	2.87
2008	2,759	-0.98	459	3.39
2009	2,749	-0.35	451	-1.68
2010	2,920	6.21	488	8.23
2011	3,045	4.28	523	7.19
2012	3,015	-0.98	511	-2.31
2013	3,014	-0.02	523	2.32
2014	3,181	5.54	536	2.48
2015	3,170	-0.35	527	-1.66
2016	3,016	-4.85	513	-2.78

Test Rite was the pioneer in DIY solutions in Taiwan. Facing the new retail impacts, the new concept stores emphasize to let customers have in-store experiences before purchasing. Specialized personnel in each product section of the storefront offers professional advices for customers. As for the products themselves, Test Rite offers over 30,000 selections, allowing each customer to find all the tools and materials necessary for home fixture, decoration, and furnishing. In addition, there is a "fixture service center" in every store dedicated to providing customization requirements and to process individualized at-home renovation projects for the customer.

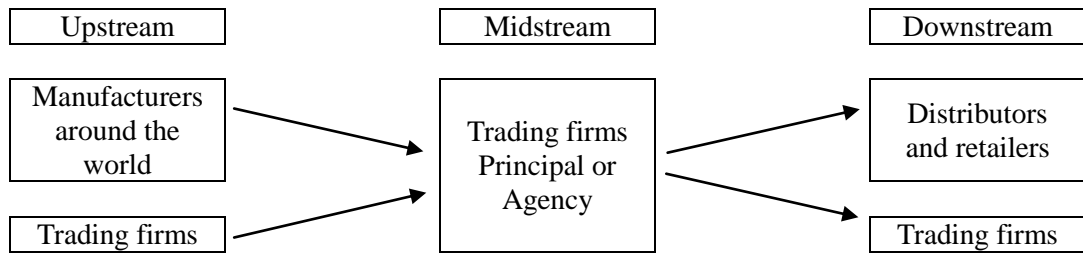
HOLA – Taiwan and China offer a wide variety of home décor which are at the forefront of living and home styles that are in sync with global trends. We offer a comprehensive lineup of household products with the most exquisite and refined living style aesthetics. These include soft and comfortable bedding,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

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

2. Industry's upstream, midstream, and downstream relationships

(1) Trading industry's upstream, midstream, and downstream relationships

The main function of the trading industry is to broker trades and bridge gaps between supply and demand. The upstream and downstream structures vary depending on the types of products traded, but below is an example of the structure for trading companies that sources finished goods and sells them to distributors and/or retailers:



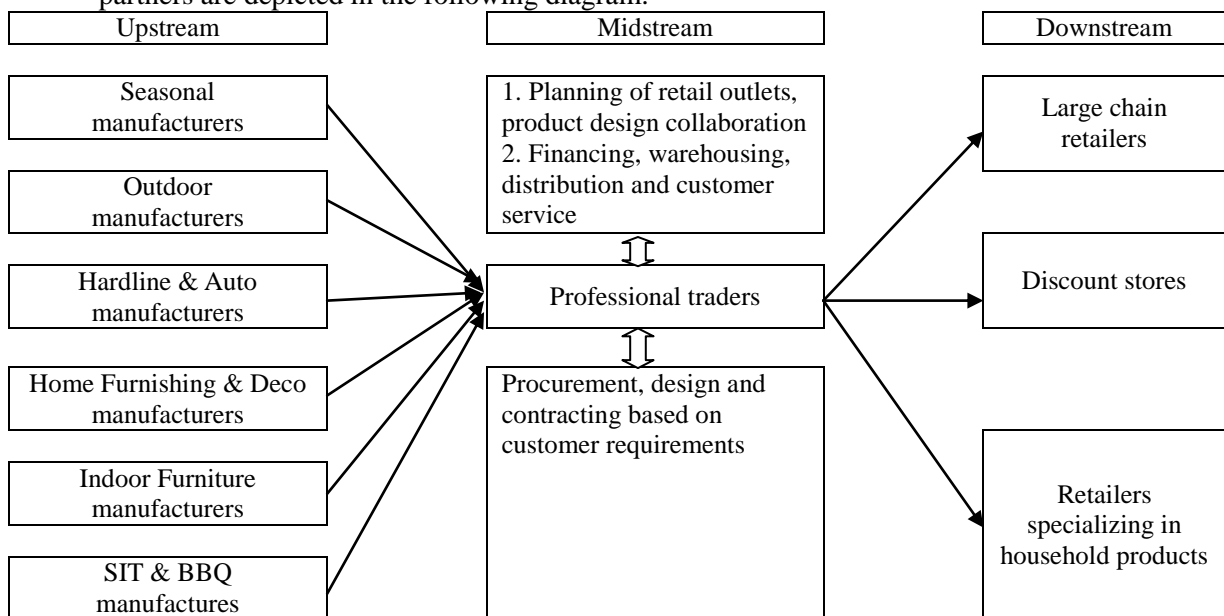
The so-called 'barriers to information access' is mainly geographic isolation and regulatory restrictions as well as the need of upstream and downstream vendors for working capital, as well as advantages to either buyers or sellers as a result of product characteristics or structure of the sales channel. This situation requires trading companies to bridge the gap of potential sellers and potential buyers of products.

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

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

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

Most often, upstream manufacturers of hand tools and household products are often smaller operations, and they aim to sell products quickly with the intermediary services provided by trading companies. As for large downstream retailers, the benefit of placing orders with trading companies with sufficient economies of scale would mean a more streamlined ordering process. Larger trading companies can provide services beyond just order fulfillment but "Total Solution Services" that include packaging, logistics, warehousing, and potentially financing services. The relationships of traders with their upstream, midstream and downstream partners are depicted in the following diagram:



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

(3) Developing Trends

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

A. Specialization in Products and Customer Services

As competition becomes more intense, the role of trading companies must evolve beyond order fulfillment functions including sourcing and re-selling. Many larger trading companies already evolved to become full service suppliers by provide product consultation and after-sales service as well as logistics and distribution functions. Since these services often involve specialized products, trading companies have also become more focused in specific product categories with complete product lines in order to demonstrate their specialization and competency.

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

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

C. Applications to accommodate e-Commerce

The new retail business model focuses on breaking the boundary between online and offline. Besides of enhancing the convenience of online interface, TLW and HOLA aim to guide the massive offline memberships to online. We hope to eventually eliminate the boundary in terms of product, payments, membership and marketing.

Test Rite has established online shopping platform for each retail channel, which allows customers and suppliers to conveniently finish orders, shipping and advertisements. The sales results for EC sales in the retail business in 2016 were:

- Test Rite <http://www.i-house.com.tw/> – annual sales revenue of NTD380 million, accounting for 3.2% of total revenue, and an 8.2% decline over the previous year;
- HOLA Taiwan <http://www.hola.com.tw> – annual sales revenue of NTD160 million, accounting for 2.9% of total revenue, and a 48.4% decline over the previous year;

- HOLA China <http://holahome.taiwan.tmall.com/> –annual sales revenue of RMB9.19 million, accounting for 1.34% of total revenue. Promotional activities and point collection offerings with customers via Weixin are done on a weekly basis

D. the Capabilities of Manufacturers

With the liberalization of global trade, distributors and retailers have undergone significant changes in terms of their business structures. They have evolved from traditionally small, regional based, or brick-and-mortar sales points in the past, to larger companies that have gained stable economies of scale that enjoys significant operating leverage while becoming multi-national or global entities.

Under these market conditions, smaller manufacturers can work with larger trading companies to become a partner of trading companies' net work of suppliers. This will enable smaller manufacturers to leverage the service platform established by the trading companies and at the same time minimize the financial pressure from tougher payment terms demanded by larger, global retailers. Smaller manufacturers can also leverage trading companies' logistics capabilities and services or even act as representatives for functions such as product sales, warehousing and distribution.

(4) Competition Status

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

5.1.3 Research and Development :

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

5.1.4 Long-term and Short-term Development

1.Operational Guidelines

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

A. The Company utilizes the experience and resources accumulated over the years in services such as product design, packaging design, logistics and warehousing. Traditional trading will continue to be cultivated with important clients, such as Walmart, O'Reilly, Menards, Soriana, Adeo, Costco and Hillman to name a few, also developed new businesses services and products for multi-national retail operators with comprehensive solutions for cross-border procurement. In addition, the Company will also be actively developing brand distribution rights for the domestic and mainland Chinese markets, in order to benefit from rapidly growing consumer demand. In addition, the Company will continue to expand its partnerships in procurement agency services with existing customers. Currently we are representing Michaels, Autozone, AAFES, Arteriors, Chewy, Fred's, and HDSupply, and will continue to cultivate additional opportunities to growth our agency business.

B. With income levels rising steadily in China rising steadily, significant growth in consumer spending power can be expected. The Company will be actively developing product distribution rights on both sides of the Taiwan Strait and taking advantage of opportunities for high growth in the domestic consumption market. We expand our procurement team in Southeast Asia and set an office in India to todevelop new potential procurement sources and regions in order to improve our production and marketing cost efficiency. In addition, the company has set a subsidiary business to provide outside customers to use product QA/QC services. We have modularized the trading supply chain to provide customized trading services, thereby expanding the service capacity.

(2)Maintaining Growth in the Retail Business

A. TLW and HOLA TW urrently has no plan to open new physical store in Taiwan, but will focus on renovating existing stores to be more experiential. Test Rite's Sales revenue for the

entire year in 2016 came in at NTD12 billion (+0.5% year-on-year). HOLA Taiwan's entire year's sales revenue was NTD5.69 billion (-0.4%). For our retail operation in mainland China, we stores closed 5 stores in 2016. We are reviewing the profitability of each store in China and actively make adjustments to minimize losses. Although HOLA China has no store opening plan this year, we will continue to expand our Chinese operation through franchise model. By cooperating with the franchise owners, HOLA will be able to expand its presence to cities that we didn't have exposure before and strengthen our brand image to Chinese consumers. We have seen some progress on EC development. EC sales have reached RMB\$9.19 mn sales in 2016, 78% YoY. We will continue expanding our EC and franchising business, and expect that our short-term goal of turning from a loss to profit will be attained soon.

- B. Taiwan's consumer market is a relatively more mature market, but it is a market where more and more consumers are looking to make purchases to improve their standard of living. Consumption upgrades also happen in China. Chinese consumers aim for higher quality of living items as well. The long-term growing potential is considerably valuable.

(3) Group Integration

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

2. Important Marketing and Development Strategies

(1) Product Marketing:

- A. Strengthen marketing and promotional capability on the trading side; continue to develop well-known customers; take advantage of the Company's existing ISO-90001 certification and specialty in hard-line trading product development and packaging; develop new customers and new markets.
- B. Increase sales and profits by leveraging efficient cross-departmental functions to provide consistent service, on-time delivery, and high quality products; as a result, retaining customers trust as a reliable supplier. Additionally, Test-Rite can work with marketing/promotion strategies of the customers and offer additional logistics services that is tailored to the needs of retail customers who operates in multiple consumer markets.
- C. Enhancing our presence in Taiwan and China by establishing additional stores, we provide a tight service network aimed at domestic and overseas customers, thus enabling us to enter new markets and to collect information on market supply and demand as well as on products.
- D. On the retail side, the company focuses on experiential marketing and digital marketing.

(2) Product Development:

- A. Continue to development of hardware, hand tools and household products, thereby reinforce the image of Test Rite as a trading company specializing in hard-line/house ware products. Product innovations to encompass new design concepts, ergonomic benefits, multi-function/specialized functional capabilities, in order to meet the fast changing consumer demands.
- B. Taking advantage of Test Rite's specialty in hard-line trading, the Company intends to explore the possibility of entering relevant product domains and expand its product lines and realize the synergies when combining new and existing products.
- C. Both TLW and HOLA are actively developing the private label products and extend the product ranges. The main product categories cover from bedding, dining wares, storage, to cook wares.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1.Sales (Service) Region

(Unit : NTD thousand)

Division \ Year	2015		2016	
	Amount	%	Amount	%
Asia	29,740,071	82.65%	29,158,412	82.27%
America	4,412,729	12.26%	4,253,207	12.00%
Europe	1,826,901	5.08%	2,028,938	5.72%
Australia and Others	1,750	0.01%	2,887	0.01%
Total	35,981,451	100.00%	35,443,444	100.00%

(1) Export Markets

In 2016, U.S. economies continue to recover from the financial crisis as unemployment rate continues to decline and the property market saw meaningful price recovery. As the economy in the U.S. rebounded ahead of other developed markets, the Americas region accounted for approximately 12% of consolidated sales revenue ; the European region accounted for approximately 5.72% of consolidated sales revenue ; The Asian domestic consumption markets continue to grow amidst brisk economic development. Test Rite's 14 sales locations span over 11 countries globally, and distribution centers have been established in four locations, namely Taiwan, China, Germany, and the United States. Moreover, the US distribution center offers warehousing, delivery and management services for clients in the traditional trading sector. With the trading arm of Test Rite being present in every corner of the world, the Company will be able to take the initiative to provide comprehensive services to customers in the retail sector and benefit from the growing markets.

At present, hardware and tools, interior design and fixtures, and seasonal merchandise account for most of the Company's exports. The Company will actively engage in development of a more comprehensive series of products and product mix, which will enable us to compete more effectively in the markets and to spread the risk of having only a single product line.

(2) Domestic Market

As of December 2016, Test Rite and HOLA Taiwan have 27 and 25 stores, respectively. With Test Rite's strategy of operating in the "light renovation" market and cultivating market share in communities with our "Easy to Buy for Home Renovation" and small- and medium-sized DIY retail services, we now offer more comprehensive products and services for customers' home renovation and furnishing needs.

2. Market Share

(1) Hand tools: Test Rite's subsidiary is showing steady growth in sales income, which is expected to grow in line with the expansion of the overall brand.

(2) Home appliances: At present, no statistical data is available for this segment given the highly-varied and diverse nature of these products.

3. Future Supply and Demand and Market Growth

Going into 2017, Housing and Auto have shown strong market demand in North America. Europe also shows steady growth, but the rest of the world is more slowly. As for the local Taiwanese market, the chill real-estate market may have impacts to the demands of household items, and influence on the sales of TLW and HOLA.

4. Competitive Niche

(1) Steady and continuing growth of the Company's primary business - Trading

We continue to expand our operations with five principal strategies: new products, customer development, product design, brand licensing, and development of regional markets. With the expansion of our business scope that now includes the purchasing agency business; we

increase several new agency clients in 2016.

(2)Product innovation contributing to our sales advantages and added value

Competition in the market is becoming more intense. As such, the Company increasingly attaches greater importance on product design and R&D. In addition to collaborating with manufacturers to produce product packaging and exteriors that meet our customers' requirements, we have also solicited the help from a dedicated industrial design team to create unique products for the company's product portfolio. Presently, we have members, a product R&D laboratory in Shanghai, and a newly-established distribution center in the Shanghai Free-Trade Zone at Yangshan Port. In addition to providing advanced warehousing management, the center will also support sourcing services, production management, and cross-border e-commerce. We aspire to create customized logistical solutions for well-established European and American retail clients through our comprehensive supply-chain management system.

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

(4)The Company's trading operations provided valuable insight to how the retail industry is evolving globally. We then leveraged this experience to enter the retail business and have built a leading DIY and home furnishing retail chains in Taiwan and China. We expect to continue to further integrate our trading and retail business going forward.

5.Favorable and unfavorable factors for the Group's outlook and response measures.

Favorable Factors :

- A. The Company has a sound financial structure, access to working capital and a comprehensive global procurement and sales network. This enables us to readily take advantage of market information and customer trends and gain access to products with a sufficient and stable supply as well as quality that is controlled under stringent conditions. We also have strong marketing and procurement teams which are essential in giving us a competitive edge in international markets and for the expansion of triangular trade.
- B. Focusing on product, our procurement network extends its reach to geographically diverse suppliers throughout the world. With a solid foundation of business operation, we are able to provide comprehensive services to our customers, which are among the world's leading retail enterprises. Our customers' growth will drive the growth of the Company.
- C. An increasing number of retailers are engaging procurement agents to conduct procurement on their behalf. The Company is also actively pursuing the expansion of our agency operations to tap into a major growth driver of revenue.
- D. Our DIY business is growing at a steady pace. HOLA Taiwan's private label products are gaining traction with consumers and already accounts for 26.3% of sales (including Hola Casa and Hola Pettite), which is the key earnings driver given private label products are consistently 15-20% higher vs. average gross margin in Hola Taiwan and we envision continued growth of our private label penetration in Taiwan. Within the next three years, we anticipate to raise the proportion of the HOLA Taiwan Private Brand to 50% (30% for Test Rite), and to lower costs through joint sourcing from both sides of the Taiwan Strait.

Unfavorable Factors:

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

The Company's response strategies are as follows:

- A. Continuing to expand our agency business to provide retail customers and suppliers with more cost-effective communication channels, as well as reducing the Company's own working capital requirements.
- B. Cooperating with suppliers in the supply chain to improve design and product development capabilities, enhancing purchasing and bargaining power and raising the added value of products as well as reducing procurement costs.

5.2.2 The Production Procedures of Main Products

1. Major Products and Their Main Uses :

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

Business Sectors	Major Products	Main Uses
Seasonal	Gardening X'mas deco accessories	<ul style="list-style-type: none"> ● Maintenance of gardens (shovels, sprinklers, etc.) and beautifying home environment. ● Christmas gifts and products.
Outdoor	Outdoor furniture BBQ	<ul style="list-style-type: none"> ● Outdoor Furniture (Outdoor tables and chairs, ice bucket, tents, etc.) and BBQ barbecue stoves and other equipment.
Hardline & Auto	Hand tool Tools Hardware Auto accessories Auto parts New business development	<ul style="list-style-type: none"> ● General Hand Tools (including axes, saws, wrenches, and pliers) for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories. ● Hardware Components (e.g. screws) for the necessary spare parts for maintenance. ● Automobile accessories and supplies (e.g. automobile mats and windshield wipers) and automotive repair and maintenance products.
Home Furnishing & Deco	Bathing and Storage Kitchenware Home decoration Luggage & Travel accessories	<ul style="list-style-type: none"> ● Home storage box and cabinets or do it yourself (DIY)'s furniture supplies. ● Travel Storage Products (trunk)
SIT	Christmas decoration Sport equipments stationary Indoor furniture Office supplies PC peripherals Computer accessories Consumer electronics Lighting	<ul style="list-style-type: none"> ● OA Furniture (e.g. desks and office chairs) ● Stationery (e.g. office supplies, file folders and document holders) ● Computer Accessories 3C merchandise. ● Lamps and light fixtures (including wall lamps, table lamps and floor lamps) ● Bathroom and sanitary equipment, automotive repair and maintenance supplies, fireplace accessories, furniture, barbecue utensils and other Electrical Accessories (e.g. Hair dryers, electric razors and infrared detectors) ● Recreational Products (mainly bicycles and ice chests) and Leisure products that make life more fun.
Electronics and lighting merchandise	Computer peripherals and accessories Consumer electronics Household lighting Sports and leisure equipment Grills and barbecue equipment	<ul style="list-style-type: none"> ● Accessories and other peripherals for PCs and other consumer telecommunication devices ● Ceiling fans, electric fans, lamps (including wall-mounted lamps, table lamps, and floor lamps), products designed to enhance airflow indoors and to provide lighting and accessories for both indoors and outdoors ● Small consumer electronics for individual or family use that adapt well to a user's daily life, and other electrical appliances, such as blow-dryers, shavers, and infrared detectors. ● Sports and leisure related products (bicycles, beauty and health merchandise) – recreational products designed to enhance the entertainment aspects of daily life. ● BBQ, grills etc.

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

Product Sector	Channel Brand	Sales Merchandise and Services
Home Furnishings	HOLA	<ul style="list-style-type: none"> ●A leader in lifestyle trends, HOLA provides fashionable and diverse furniture supplies. It has 25 stores in Taiwan and 33 stores in China.
Home Improvement	Test Rite Retail Test Rite good helper decoration union Test Rite Interior Design	<ul style="list-style-type: none"> ●Comprehensive, professional, and leading DIY brands for home improvement supplies and services with 27 stores in Taiwan. ●Provides various communal home and business office decorations, kitchen modifications, plumbing and electrical maintenance, waterproofing and leak repair, as well as air conditioning repair advice. ●Home improvement and decoration services.
Mattresses and Bedding	HOLA CASA HOLA Petite WEDGWOOD FRETTE	<ul style="list-style-type: none"> ●Sells high-quality furniture, such as mattresses, sofas, sofa beds, and leisure chairs. Exclusive agent for world-renowned brands, such as La-Z-Boy lounge chair, Kingsdown mattress, and Kuka Home sofa. Conducts sales through open stores and transparent pricing, and provides comfortable shopping spaces. There are a total of 23 store counters. ●New concept store focused on bedding/dining/bath-related lifestyle applications with 9 store counters. ●The Company is the agent for the Wedgwood home and bedroom decorated fabrics brand. There are presently 14 store counters. ●The Company is the agent for the Frette premium Italian bedding brand. There are presently six store counters.
Healthy Living	Live for Nature	<ul style="list-style-type: none"> ●Healthy grains and tea, organic cotton, environmentally-friendly cleaning products, natural personal cleaning products, fair-trade merchandising, and other related products.
Comprehensive Household Integrated Services	DÉCOR House	<ul style="list-style-type: none"> ●Professional services integrated with home improvement, home furnishing, furniture, bedding, interior design, and full-house decorations. Collaborates with various representative catering, home appliance, and service brands. Positioned as the “Comprehensive Home Integrated Services Solution” provider, the unit’s base in Taoyuan Nankan has a floor area of approximately 4,300 pings and a business area of 17,300 pings. It is Taiwan’s first large-scale shopping mall for household-themed merchandise.
Brand Agent	Crate & Barrel	<ul style="list-style-type: none"> ●The American household channel brand; located in a shopping center in Taipei and Taichung.

2. Major Products and Their Production Processes : N/A. The Company is engaged in the traditional trading industry and is not involved in manufacturing.

5.2.3 Supply Status of Main Materials

The Company does not manufacture any products, thus no issues exist with regard to supply of raw materials. Upstream suppliers are mainly manufacturers of hardware and hand tools, household products, furniture, office supplies, and IT products. The Company maintains long-term relationships and is on good terms with upstream suppliers. We collaborate with them extensively on product specifications and delivery dates, and the supply of products has not been a problem.

5.2.4 Major Suppliers and Clients

1. Major clients: the Company's consolidated reports for 2015 and 2016 show that no single client accounted for over 10% of the total consolidated sales, hence this information is not disclosed.
2. Major vendors/suppliers: the Company's consolidated reports for years 2015 and 2016 show that no single vendor/supplier accounted for over 10% of the total consolidated sales, hence this information is not disclosed.

5.2.5 Production over the Last Two Years : N/A

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

5.2.6 Shipments and Sales over the Last Two Years

Unit : NTDS\$ million

Business Units	2015		2016	
	Local	Export	Local	Export
	Amount	Amount	Amount	Amount
Principal Trading(Agency)	-	13,038,077	-	13,105,493
Taiwan Retail	17,311,988	-	17,591,549	-
China Retail	-	3,997,276	-	3,584,021
Others	1,182,837	451,273	710,170	452,211
Total	18,494,825	17,486,626	18,301,719	17,141,725

5.3 Human Resources

Test-Rite International Co., Ltd. and Subsidiaries

Year		2015	2016	Until April 30, 2017
No. of Group Employees		5,891	5,839	5,691
Average Age		34.3	35.3	36
Average Years of Service		5.2	5.4	5.6
Education	Ph.D.	0.15%	0.29%	0.14%
	Masters	4.23%	4.72%	4.37%
	Bachelor's Degree	63.62%	63.30%	62.79%
	Senior High School	28.46%	27.80%	28.28%
	Below Senior High School	3.55%	3.88%	4.41%

Test-Rite International Co., Ltd.

Year		2015	2016	Until April 30, 2017
No. of Group Employees		415	395	396
Average Age		41.3	42.01	42.04
Average Years of Service		8.6	9.52	9.59
Education	Ph.D.	0.00%	0.00%	0.00%
	Masters	11.94%	12.47%	12.92%
	Bachelor's Degree	74.38%	73.25%	73.13%
	Senior High School	13.68%	14.29%	13.95%
	Below Senior High School	0.00%	0.00%	0.00%

5.4 Environmental expenditure Information:

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

To increase energy efficiency, The company since 2013 has been replaced by more energy efficient and environmentally friendly lighting equipment, and in the store more power consumption of the lights installed in the sub-district switch, and adjust the store's contract capacity, and then control the performance of power consumption, total expenses spent on environmental conservation over the last three years, including installation of energy saving lighting fixtures, waste management and wastewater treatment; among them, the waste treatment in 2016 increased compared to 2015, due to the increase in the number of new stores, as well as the upstream incinerator manufacturers for the demolition of stores and other waste disposal costs. are listed in detail as follows:

Items	2014	2015	2016
Installation of energy saving lighting fixtures	28,091,402	2,377,167	1,393,631
Waste management	2,615,972	2,667,220	6,786,983
Wastewater treatment	76,880	13,600	253,667
Engine room advise and manage projects	33,000,000	-	-
Total expenses	63,784,254	5,057,987	8,434,281

5.5 Labor Relations

1. The Company's various employee welfare programs, education, training, retirement system, and their implementation; agreement between management and labor as well as the fulfillment of labor rights.

(1)Employee Welfare Programs:

To promote the welfare of our employees and to create an environment in which our employees can enjoy working in, the Company established the Employee Welfare Committee on April 6, 1983 to implement various employee welfare activities. The sources of funding for the committee consist of 0.1% of the Company's total monthly revenue and 0.5% of employees' total monthly salary. In addition, the Company's employee welfare programs include healthcare plans, loans and employee stock ownership plans.

(2)Employee Education and Training Programs

Continuous learning forms one of the key elements for a business to avoid becoming obsolete in the face of market competition. The Company's educational training program is a long-term personnel training system in which all levels of leadership functions, key tasks, professional tasks and general training for staff members are established. In addition, a Corporate University – including the Management College, Trading College, and General Training College – has been set up in order to develop the human resources that foster a learning institution. The training plan is to assist the Company's operational strategy and its developmental needs. At the beginning of each year, a unit in charge of training will put forward the year's educational training plan for review, periodically assess the actual performance of the training which, in turn, serves as the basis for rectification of the subsequent plan. In addition, the Company has introduced digital learning platforms and developed a variety of e-learning digital courses that offer our staff members diverse learning channels and resources to enrich their learning and personal growth. This further illustrates the Company's emphasis and devotion to nurturing talent.

A. Management training: The courses are designed and categorized based on the skills required for the different levels of leadership management. Basic-level management courses focus on personnel management, with the aim of training internal lecturers, who will pass down the company's management philosophy and culture, based on the concept of leaders mentoring leaders. These courses include the roles and duties of executives,

performance management, motivation, and interpersonal communication for executives. Mid-level management courses concentrate on teamwork and creating synergy through self-regulated team learning. Furthermore, the Action Learning technique is introduced for trainees to learn to simultaneously address organizational issues and fully apply what they have learned to their work. Examples include courses that teach trainees to establish teamwork, how to cultivate employees' potential, etc. High-level management courses are designed with an emphasis on forward-looking strategic thinking and self-improvement. Senior management is given advice on the operation of the company by the board members, with external consultants hired to help inspect the situations encountered and come up with countermeasures, in an effort to enable senior management to continue to develop strategies and look ahead as it endeavors to expand the company. At the same time, the company attaches much importance to the self-improvement of its senior executives. Based on individual needs, they are sent to participate in external humanistic and leadership training programs.

- B. Specialized training: Specialized training roadmaps are drawn up based on various key specialized functions. A series of specialized courses on subjects including purchasing, marketing, and trading are designed for both beginners and advanced learners. In recent years, career roadmaps have been formulated to encourage employees to develop a second specialty and accumulate different kinds of specialized experience. In addition, to enable employees to quickly adapt themselves to external changes, apart from internal training sessions the company periodically sends employees to external training sessions or workshops, in an attempt to raise their awareness of market changes and maintain their level of specialized skills. Moreover, the company provides employees with the opportunity to work overseas and subsidizes their foreign language learning expenses.
- C. General knowledge training and orientation: Various general knowledge courses for various levels of the management are designed based on individual employees' general knowledge functions, with the aim of helping them improve their efficiency. These courses include communication skills, presentation skills, work management, problem analysis and resolution, and customer service. The company attaches much importance to employees' level of identification with the company's culture. During orientation, senior executives personally introduce the company's development and strategies. Courses are also designed to introduce the company's values, so that employees understand that the company values 'honesty, responsibility, and humility.' In addition, a mentor system has been introduced to provide continuous attention to new employees and help them to quickly adapt to the company's environment. Additionally, the company has introduced a digital learning platform, and developed a wide variety of e-learning courses to provide employees with diverse learning channels and resources. The Company and Subsidiaries outcomes of the last two years (2016) Education and Training as follows:

Training programs	Training sessions	Attendees	Training Hours	Training expense
General knowledge training	30	5,443	7,223	11,810,211
Specialized training	156	6,111	47,806	
Management training	31	528	3,835	
Total	217	12,082	58,864	

(3) Staff ethical conduct and code of ethics

- A. The Company has established "Work Regulations" for the staff to follow in their daily work and behavior. All staff should comply with the ethical conduct and code of ethics of the Company, for example: being in line with the principles of integrity and honesty, protecting the Company's reputation, exhibiting a spirit of teamwork, loyally and diligently finishing one's duties, avoiding arrogance and greed, and refraining from behavior that may damage the reputation of individuals or the institution; staff are also disallowed from the use of their position to accept gifts or favors.

- B. All staff members sign a confidentiality agreement that stipulates that staff should carefully manage matters and confidential information pertaining to their duties; except in cases where it is necessary to provide information for the execution of a certain duty, information not disclosed by the Company itself may not be disclosed to a third party or for purposes other than those related to the work in question. This applies also for those staff members who have signed the agreement but are no longer with the company.
 - C. The Company has established a "Major Internal Information Processing Procedure" in order to establish good internal processing and a mechanism within the Company for the disclosure of major information; this procedure prevents improper information leaks and ensures the consistency and accuracy of the information published by the Company.
 - D. The Company has established "Personal Data Management Objectives and Policies" for the management and preservation of the company's personal information, including that of its personnel and customers. To better regulate the behavior of employees using computers, the company has established its "Internet Security Management Regulations" and "Information Security Incident Management Regulations," with which all employees must comply.
 - E. The Company has established Code of Ethics for Business Management and Integrity Declaration and Undertaking, Encourage employees to find there is a breach in the rules or the Code of Practices Act, was spotted by the complainant reported the mailbox.
 - F. In order to maintain gender equality and respect at work, the Company prohibits all sexual harassment behavior in the work place, has established its "Sexual Harassment Prevention Measures, Claims, and Disciplinary Regulations," and irregularly holds and encourages employees to participate in gender-related educational workshops.
 - G. Measures related to the above provisions and the Company will from time to time are advocacy, and its content can be found in the Company's internal text managed system and the Company's official website.
- (4) Retirement programs and status of implementation:
- A. The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.
 - B. The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.
 - C. As at year-end 2016, the fair value of the assets in the Company's retirement fund was NTD38,254 million; the figure for the consolidated company was NTD317,413million.

(5) Labor-management agreement:

The provisions of the Labor Standards Act apply to the Company, and labor-related affairs are carried out in accordance with this Act. An employee suggestion box has been set up to take into consideration the opinions of employees and to address their complaints, as well as to solicit feedback and recommendations from them as the basis for improving the Company's operations going forward. Since the Company has always attached great importance to employee welfare and valued two-way communication with employees, we have had very amicable labor relations since the Company's inception and there have not been any incidents of labor dispute.

(6) Fulfillment of labor rights and interests

The Company has established a set of human resources management guidelines and has been reinforcing the rules contained therein to protect the rights and interests of our employees.

2. As of the current fiscal year up to the date of publication of the annual report, all losses due to labor disputes shall be reported and the estimated amount of losses likely to occur at present and in the future as well as corresponding measures adopted by the Company shall be disclosed. If it is not possible to provide a reasonable estimate, the reasons should be clearly stated: For the past two years and up to the present, the Company has suffered no losses due to labor disputes. It is difficult to provide a reasonable estimate to current or future losses. However, the Company is committed to strengthening communication with employees and we intend to maintain benefit programs that are satisfactory to them so as to promote more harmonious labor relations and to reduce the likelihood of any labor disputes in the future.

5.6 Important Contracts

December 31, 2016

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease Agreement	Tsai Wang Enterprise Company Limited	2011.12.26~ 2017.12.25	Lease Test Rite International Co., Ltd. building	The lease annual rent of NT\$ 281,377,200. During leasing year, the yearly rental has to be increased by 3% of previous year agreement.
Long-term loan	Syndicate Loan primarily coordinated and run by First Commercial Bank	2015.06.24~ 2020.06.24	Borrower: Test Rite International Co., Ltd. Project: Credit financing/credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 250% Net tangible assets cannot be lower than NTD5.20 billion The aforementioned financial ratio is calculated based on Test Rite Co., Ltd's CPA-audited non-consolidated financial report, and will be verified on an annual basis.
Long-term loan	Syndicate Loan primarily coordinated and run by First Commercial Bank and Taiwan Business Bank	2012.07.16~ 2019.07.16	Borrower: Test Rite Retailing Co., Ltd. Project: Credit financing/credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 250% Net tangible assets cannot be lower than NTD5.20 billion The aforementioned financial ratio is calculated based on Test Rite Co., Ltd's CPA-audited non-consolidated financial report, and will be verified on an annual basis.
Long-term loan	The Export-Import Bank of the Republic of China	2013.11.18~ 2018.11.19	Borrower: Test Rite International Co., Ltd. Project: loans for overseas investment	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan	Taishin International Bank	2015.05.18~ 2017.05.18	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 300% The aforementioned financial ratio is calculated based on Test Rite Co., Ltd's CPA-audited non-consolidated financial report, and will be verified on an annual basis.
Long-term loan	O-Bank	2015.12.29~ 2018.12.29 2016.09.26~ 2019.09.26	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing/credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100% Interest protection multiplier cannot be lower than 300% The aforementioned financial ratio is calculated based on Test Rite Co., Ltd's CPA-audited non-consolidated financial report, and will be verified on an annual basis.
Long-term loan	Chang Hwa Bank	2016.09.30~ 2019.09.30	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	Taiwan Business Bank	2016.12.22~ 2019.12.22	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	Hua Nan Bank	2016.11.15~ 2018.11.15	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

Unit : NTD\$ thousand

Item	Year	Year 2012-2016 Financial Summary (Note1)					2017/3/31 (Note2)
		2012	2013	2014	2015	2016	
Current Assets		10,439,476	12,011,301	13,194,183	13,023,367	12,662,427	13,485,326
Property, Plant and Equipment Note(2)		6,195,672	6,208,064	6,048,084	6,411,230	5,841,696	5,653,678
Intangible Assets		2,400,619	2,419,336	2,473,018	2,613,288	2,571,957	2,564,795
Other Assets Note(2)		2,861,808	2,733,537	3,205,661	3,147,361	3,241,218	3,192,187
Total Assets		21,897,575	23,372,238	24,920,946	25,195,246	24,317,298	24,895,986
Current Liabilities	Before allocation	9,642,492	10,804,486	11,367,673	12,093,772	10,808,606	13,540,419
	After allocation	10,168,547	11,306,574	11,945,074	12,578,165	11,333,790	-
Non-Current Liabilities		5,606,214	5,774,592	6,192,298	5,672,052	6,092,409	3,740,458
Total Liabilities	Before allocation	15,248,706	16,579,078	17,559,971	17,765,824	16,901,015	17,280,877
	After allocation	15,774,761	17,081,166	18,137,372	18,250,217	17,426,199	-
Equity attributable to owners of the parent		6,629,794	6,762,666	7,333,453	7,425,940	7,412,893	7,614,936
Capital Stock		5,219,555	5,219,555	5,139,555	5,098,875	5,098,875	5,098,875
Capital Surplus		694,476	694,476	678,829	673,456	673,456	673,456
Retained Earnings	Before allocation	1,468,371	1,580,149	1,733,427	1,682,466	1,806,942	2,114,251
	After allocation	942,316	1,078,061	1,156,026	1,198,073	1,281,758	-
Other Equity		(23,484)	(2,390)	29,813	(28,857)	(166,380)	(271,646)
Treasury Stock		(729,124)	(729,124)	(248,171)	-	-	-
Non-Controlling Interest		19,075	30,494	27,522	3,482	3,390	173
Total Equity	Before allocation	6,648,869	6,793,160	7,360,975	7,429,422	7,416,283	7,615,109
	After allocation	6,122,814	6,291,072	6,783,574	6,945,029	6,891,099	-

Note:

1. 2012-2016 financial data have been duly audited by independent auditors.
2. Those who have been made assets revaluation should be noted the revaluation date incremental value.
3. The earnings allocation plan is passed by the board of directors on March 24, 2017 and is up for voting at the shareholders' meeting. March 31, 2017 financial data have been reviewed by independent auditors.

6.1.2 Condensed Standalone Balance Sheet

Unit : NTD\$ thousand

Item	Year	Year 2012-2016 Financial Summary (Note)				
		2012	2013	2014	2015	2016
Current Assets		4,286,495	4,646,500	4,989,496	4,561,836	3,559,022
Property, Plant and Equipment Note(2)		571,917	553,406	585,681	792,375	800,823
Intangible Assets		53,994	59,471	60,352	50,183	43,996
Other Assets Note(2)		7,994,102	8,443,144	9,188,552	9,383,615	10,161,004
Total Assets		12,906,508	13,702,521	14,824,081	14,788,009	14,564,845
Current Liabilities	Before allocation	2,550,827	3,266,928	3,679,829	3,650,880	3,136,391
	After allocation	3,076,882	3,769,016	4,257,230	4,135,273	3,661,575
Non-Current Liabilities		3,725,887	3,672,927	3,810,799	3,711,189	4,015,561
Total Liabilities	Before allocation	6,276,714	6,939,855	7,490,628	7,362,069	7,151,952
	After allocation	6,802,769	7,441,943	8,068,029	7,846,462	7,677,136
Equity attributable to owners of the parent		-	-	-	-	-
Capital Stock		5,219,555	5,219,555	5,139,555	5,098,875	5,098,875
Capital Surplus		694,476	694,476	678,829	673,456	673,456
Retained Earnings	Before allocation	1,468,371	1,580,149	1,733,427	1,682,466	1,806,942
	After allocation	942,316	1,078,061	1,156,026	1,198,073	1,281,758
Other Equity		(23,484)	(2,390)	29,813	(28,857)	(166,380)
Treasury Stock		(729,124)	(729,124)	(248,171)	-	-
Non-Controlling Interest		-	-	-	-	-
Total Equity	Before allocation	6,629,794	6,762,666	7,333,453	7,425,940	7,412,893
	After allocation	6,103,739	6,260,578	6,756,052	6,941,547	6,887,709

Note:

- 1.2012-2016 financial data have been duly audited by independent auditors.
- 2.Those who have been made assets revaluation should be noted the revaluation date incremental value
- 3.The earnings allocation plan is passed by the board of directors on March 24, 2017 and is up for voting at the shareholders 'meeting.

6.1.3 Condensed Consolidated statement of Income - IFRSs

Unit : NTD\$ thousand

Item	Year	Year 2012-2016 Financial Summary (Note1)					2017/3/31 (Note2)
		2012	2013	2014	2015	2016	
Revenue		35,252,142	35,203,864	35,946,241	35,981,451	35,443,444	9,716,942
Operating revenue		10,403,161	10,610,334	10,832,026	11,302,872	11,258,814	2,937,126
Gross profit		720,317	776,738	981,902	810,467	824,820	397,447
Non-operating income and expense		(33,590)	(44,016)	(98,758)	54,638	67,543	(15,198)
Income before tax		686,727	732,722	883,144	865,105	892,363	382,249
Income from operations of continued segments - after tax		564,694	640,614	715,167	670,485	676,020	307,307
Income from discontinued operations		0	0	0	-	-	-
Profit or loss for the period		564,694	640,614	715,167	670,485	676,020	307,307
Other comprehensive income		(50,177)	29,732	37,323	(131,293)	(204,766)	(105,276)
Total comprehensive income		514,517	670,346	752,490	539,192	471,254	202,031
Allocations of profit or loss for the period attributable to owners of the parent.		509,214	635,139	705,731	670,509	676,029	307,309
Allocations of profit or loss for the period attributable to non-controlling interest.		55,480	5,475	9,436	(24)	(9)	(2)
Allocations of total comprehensive income for the period attributable to owners of the parent.		477,225	658,927	744,221	540,899	471,346	202,043
Allocations of total comprehensive income for the period attributable to non-controlling interest.		37,292	11,419	8,269	(1,707)	(92)	(12)
Earnings per share		1.03	1.30	1.42	1.32	1.33	0.60

Note1 : 2012-2016 financial data have been duly audited by independent auditors.

Note2 : March 31, 2017 financial information is audited by accountant.

6.1.4 Condensed Standalone statement of Income

Unit : NTD\$ thousand

Item	Year	Year 2012-2016 Financial Summary(Note)				
		2012	2013	2014	2015	2016
Revenue		11,902,223	12,175,665	12,936,975	12,679,062	11,998,176
Operating revenue		2,211,418	2,235,640	2,560,578	2,621,452	2,588,533
Gross profit		102,694	73,554	166,730	112,458	224,802
Non-operating income and expense		469,620	594,907	575,602	607,064	495,887
Income before tax		572,314	668,461	742,332	719,522	720,689
Income from operations of continued segments - after tax		509,214	635,139	705,731	670,509	676,029
Income from discontinued operations		0	0	0	-	-
Profit or loss for the period		509,214	635,139	705,731	670,509	676,029
Other comprehensive income		(31,989)	23,788	38,490	(129,610)	(204,683)
Total comprehensive income		477,225	658,927	744,221	540,899	471,346
Allocations of profit or loss for the period attributable to owners of the parent.		-	-	-	-	-
Allocations of profit or loss for the period attributable to non-controlling interest.		-	-	-	-	-
Allocations of total comprehensive income for the period attributable to owners of the parent.		-	-	-	-	-
Allocations of total comprehensive income for the period attributable to non-controlling interest.		-	-	-	-	-
Earnings per share		1.03	1.30	1.42	1.32	1.33

Note : 2012-2016 financial data have been duly audited by independent auditors.

6.1.5 Auditors' Opinions from 2011 to 2015

Year	CPA's Name	CPA's Opinion
2012	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2013	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2014	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2015	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2016	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item		Year	Financial analysis in the past 5 years (Note1)					2017/3/31 (Note2)
		2012	2013	2014	2015	2016		
Financial structure (%)	Ratio of liabilities to assets	69.64	70.93	70.46	70.51	69.5	69.41	
	Ratio of long-term capital to Property, Plant and Equipment	187.92	193.14	214.88	204.30	231.25	200.85	
Solvency (%)	Current ratio	108.27	111.17	116.07	107.69	117.15	99.59	
	Quick ratio	52.38	58.25	62.57	48.98	52.37	51.77	
	Times interest earned ratio	4.52	5.80	5.70	5.00	4.89	9.4	
AR/AP (turnover)	Accounts receivable turnover (turns)	13.04	13.61	12.25	12.89	14.36	13.79	
	Average collection period	27.99	26.81	29.79	28.31	25.41	26.46	
	Inventory turnover (turns)	4.61	4.92	4.63	3.98	3.62	4.25	
	Accounts payable turnover (turns)	5.52	4.92	4.81	4.21	4.16	4.69	
	Average days in sales	79.17	74.18	78.83	91.70	100.82	85.88	
	Property, Plant and Equipment turnover (turns)	5.06	5.68	5.87	5.78	5.79	1.69	
	Total assets turnover (turns)	1.42	1.56	1.49	1.44	1.43	0.39	
Profitability	Return on total assets (%)	2.94	3.39	3.61	3.39	3.43	1.39	
	Return on stockholders' equity (%)	7.99	9.57	10.15	9.09	9.11	4.09	
	Operating income Ratio to issued capital (%)	13.80	14.88	19.10	15.90	16.18	7.79	
	Pretax income Ratio to issued capital (%)	13.16	14.04	17.18	16.97	17.50	7.50	
	Operating profit							
	Profit ratio (%)	1.60	1.82	1.99	1.86	1.91	3.16	
	Earnings per share (\$)	1.03	1.30	1.42	1.32	1.33	0.60	
Cash flow	Cash flow ratio (%)	36.20	11.50	1.54	12.78	22.82	-	
	Cash flow adequacy ratio (%)	91.97	98.80	75.83	81.38	121.80	78.74	
	Cash reinvestment ratio (%)	20.37	4.43	-1.89	5.52	10.69	-	
Leverage	Operating leverage	15.82	14.97	12.00	15.32	15.04	7.76	
	Financial leverage	1.37	1.24	1.24	1.36	1.39	1.13	

Reasons for changes in the various consolidated financial ratios for the two-year period of 2015-2016. (No analysis needed for increases or decreases that are less than 20%.)
The increase in the cash flow ratio and ratio of reinvestment of cash were due to the increase in net cash flow from operations over this period.

Note:

- 1.2012-2016 financial data have been duly audited by independent auditors.
- 2.1Q/2017 financial data have been reviewed by independent auditors.

6.2.2 Standalone Financial Analysis

Item	Year	Financial analysis in the past 5 years (Note)				
		2012	2013	2014	2015	2016
Financial structure (%)	Ratio of liabilities to assets	48.63	50.65	50.53	49.78	49.10
	Ratio of long-term capital to Property, Plant and Equipment	1,739.68	1,821.62	1,843.4	1,330.57	1427.09
Solvency (%)	Current ratio	168.04	142.23	135.59	124.95	113.48
	Quick ratio	154.58	135.38	126.02	117.54	107.10
	Times interest earned ratio	7.45	12.67	12.58	9.54	9.19
AR/AP (turnover)	Accounts receivable turnover (turns)	3.45	3.89	3.67	3.38	3.62
	Average collection period	106	94	99	108	101
	Inventory turnover (turns)	65.09	71.44	52.92	45.40	59.31
	Accounts payable turnover (turns)	6.99	5.33	5.04	4.92	4.54
	Average days in sales	6	5	7	8	6
	Property, Plant and Equipment turnover (turns)	20.43	21.64	22.71	18.40	15.06
	Total assets turnover (turns)	0.82	0.92	0.91	0.86	0.82
Profitability	Return on total assets (%)	4.03	5.13	5.32	5.00	5.10
	Return on stockholders' equity (%)	7.21	9.49	10.01	9.09	9.11
	Operating income Ratio to issued capital (%)	1.97	1.41	3.24	2.21	4.41
	Pretax income Ratio to issued capital (%)	10.96	12.81	14.44	14.11	14.13
	Operating profit					
	Profit ratio (%)	4.28	5.22	5.46	5.29	5.63
	Earnings per share (\$)	1.03	1.30	1.42	1.32	1.33
Cash flow	Cash flow ratio (%)	101.85	32.96	-9.46	39.12	64.78
	Cash flow adequacy ratio (%)	10.30	38.90	51.92	74.21	223.00
	Cash reinvestment ratio (%)	28.40	15.13	-7.52	7.51	13.25
Leverage	Operating leverage	12.79	16.26	8.58	12.58	6.42
	Financial leverage	7.37	4.53	1.62	3.98	1.64

Reasons for changes in the various financial ratios for the two-year period of 2015-2016. (No analysis needed for increases or decreases that are less than 20%.)

1. Inventory turnover (turns) and Average days in sales were due to the decrease in Inventory in the latest period.
2. Cash flow ratio (%) · Cash flow adequacy ratio (%) · Cash reinvestment ratio (%) Were due to the increase in net cash flow from operations in the latest period.
3. Operating leverage and Financial leverage were due to the significant increase in operating profit in the latest period.

Note: 2012-2016 financial data have been duly audited by independent auditors.

Note 1 : 2011-2012 financial data have been duly audited by independent auditors.

Note 2 : Formulas for the above table:

1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term capital to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest cover = Income before interest and tax / Interest expense

3. A/R, A/P and other turnover ratios

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover ratio

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover ratio

(6) Fixed asset turnover = Net revenue / Net fixed assets

(7) Total asset turnover = Net revenue / Total assets

4. Profitability

(1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net sales

(4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

5. Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use 0 if working capital value is negative)

6. Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

6.3 Supervisors' Report in the Most Recent Year

To: Test Rite International Co., Ltd. 2017 Shareholders Meeting

From: Supervisors of Test Rite International Co., Ltd

Re: Supervisor's review report on the 2016 Financial Statements

Dear shareholders,

Here we ensure the annual financial reports of TRIC stands alone and its consolidation for 2016 have been rendered by Board and audited independent auditors Mr. HONG, KUO-TYAN and Mr. WU, KER-CHANG of Deloitte Touche. Further we review 2016 Business report and 2016 Profits Distribution proposal and assure to its compliance with Company Act No. 219 as well.

Supervisors:

Tsai-Chi Co., Ltd.

Representative: Mr. Liao, Hsueh-Hsing

Mr. Huang, Chung-Hsing

Date: March 24, 2017

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

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

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

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Test-Rite International Co., Ltd. as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

Basis for Opinion

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

Key Audit Matters

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

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

Sales Revenue Recognition

The recognition of sales revenue depends on whether the ownership and risks of goods have been

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

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

Impairment of Accounts Receivable

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

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

Impairment of Goodwill

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

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

Other Matter

We have also audited the parent company only financial statements of Test-Rite International Co., Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Test-Rite						Other Equity		Treasury Shares	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 Shares)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2015	513,956	\$ 5,139,555	\$ 678,829	\$ 929,953	\$ 148,098	\$ 655,376	\$ 29,788	\$ 25	\$ (248,171)	\$ 7,333,453	\$ 27,522	\$ 7,360,975
Appropriation of 2014 earnings (Note 20)												
Cash dividends	-	-	-	-	-	(577,401)	-	-	-	(577,401)	-	(577,401)
Legal reserve	-	-	-	65,538	-	(65,538)	-	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2015	-	-	-	-	-	670,509	-	-	-	670,509	(24)	670,485
Other comprehensive loss for the year ended December 31, 2015	-	-	-	-	-	(70,940)	(58,670)	-	-	(129,610)	(1,683)	(131,293)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	599,569	(58,670)	-	-	540,899	(1,707)	539,192
Treasury shares transferred to employees (Note 21)	-	-	-	-	-	(481)	-	-	163,105	162,624	-	162,624
Retirement of treasury shares (Notes 20 and 21)	(4,068)	(40,680)	(5,373)	-	-	(39,013)	-	-	85,066	-	-	-
Equity transactions with non-controlling interests (Note 25)	-	-	-	-	-	(33,635)	-	-	-	(33,635)	(22,333)	(55,968)
BALANCE AT DECEMBER 31, 2015	509,888	5,098,875	673,456	995,491	148,098	538,877	(28,882)	25	-	7,425,940	3,482	7,429,422
Appropriation of 2015 earnings (Note 20)												
Legal reserve	-	-	-	53,888	-	(53,888)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(484,393)	-	-	-	(484,393)	-	(484,393)
Net profit for the year ended December 31, 2016	-	-	-	-	-	676,029	-	-	-	676,029	(9)	676,020
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(67,160)	(137,523)	-	-	(204,683)	(83)	(204,766)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	608,869	(137,523)	-	-	471,346	(92)	471,254
BALANCE AT DECEMBER 31, 2016	<u>509,888</u>	<u>\$ 5,098,875</u>	<u>\$ 673,456</u>	<u>\$ 1,049,379</u>	<u>\$ 148,098</u>	<u>\$ 609,465</u>	<u>\$ (166,405)</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 7,412,893</u>	<u>\$ 3,390</u>	<u>\$ 7,416,283</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 892,363	\$ 865,105
Adjustments for:		
Depreciation expenses	668,072	668,155
Amortization expenses	148,317	155,210
Impairment loss recognized on trade receivables	15,601	267
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	166,047	2,092
Interest expense	229,381	216,533
Interest income	(19,984)	(25,505)
Compensation cost of employee share options	-	5,226
Loss on disposal and impairment of property, plant and equipment	25,647	4,795
Loss on disposal of intangible assets	117	-
Gain on disposal of investments	(8,932)	(37,662)
Impairment loss recognized on financial assets	-	9,699
Amortization of unrealized gain on sale-leaseback	(50,000)	(50,000)
Changes in operating assets and liabilities		
Financial assets held for trading	381,031	224,548
Notes receivable	(332)	17,342
Trade receivables	(7,295)	721,551
Other receivables	13,704	159,272
Inventories	75,879	(250,430)
Prepayments	22,197	8,035
Other current assets	19,586	82,231
Other financial assets	328	(471)
Other operating assets	142,878	92,556
Notes payable	19,017	(32,519)
Trade payables	(38,503)	(697,650)
Other payables	247,492	(155,207)
Advance receipts	51,893	38,088
Other current liabilities	(34,760)	(81,271)
Other operating liabilities	(76,155)	(36,245)
Cash generated from operations	2,883,589	1,903,745
Interest received	19,780	26,513
Interest paid	(232,989)	(215,309)
Income tax paid	(203,831)	(169,967)
Net cash generated from operating activities	<u>2,466,549</u>	<u>1,544,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(163,174)	(156,132)
Proceeds from sale of debt investments with no active market	229,548	17,458
Purchase of financial assets measured at cost	-	(32,500)
Decrease in prepayments of investment	-	44,404
Net cash outflow on acquisition of subsidiaries	-	(144,602)

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

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

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

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

The consolidated financial statements of Test-Rite and its subsidiaries, hereto forth collectively referred to as the “Group”, are presented in Test-Rite’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by Test-Rite’s board of directors on March 24, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within [Level 2/Level 3], the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique.

2) Annual Improvements to IFRSs 2010-2012 Cycle

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

5) Annual Improvements to IFRSs 2012-2014 Cycle

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

6) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC had not announced the effective dates of other New IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

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

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

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

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

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

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

3) IFRS 16 “Leases”

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

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

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

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

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

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

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

cash payments for interest portion are classified within operating activities.

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

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

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

Business Combinations

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

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

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

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries in other countries that use a currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

Real estate and construction in progress are stated at carrying cost or construction cost by construction project. Interest is capitalized during the construction period.

Constructions in progress and advance construction receipts related to the same construction should be netted. If the netted amount is a debit balance, then it should be recorded in construction in progress, whereas credit balance should be recorded in advance construction receipts.

Property, Plant and Equipment

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

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Goodwill

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

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

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

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

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through

a) Financial assets at fair value through profit or loss

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

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

b) Loans and receivables

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Financial assets measured at cost

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

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

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

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

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

3) Derecognition of financial assets

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

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

b. Financial liabilities

1) Subsequent measurement

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

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

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c. Derivative financial instruments

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

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

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based on past experience and other relevant factors.

a. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- 1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

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

b. Rendering of services

Service income is recognized when services are provided.

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

c. Dividend and interest income

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

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

Leasing

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

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefits

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

T b. Retirement benefits

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

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

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

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Trade Receivables

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

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 52,825	\$ 66,132
Checking accounts and demand deposits	2,118,330	1,702,564
Cash equivalents	<u>131,409</u>	<u>134,710</u>
	<u>\$ 2,302,564</u>	<u>\$ 1,903,406</u>

The time deposits with original maturities of more than 3 months were \$280,968 thousand and \$297,342 thousand, respectively, as of December 31, 2016 and 2015 and reclassified to debt investments with no active market (see Notes 9 and 31).

The following time deposits of the Group were pledged as for purchases of raw materials and collaterals warranties of construction and reclassified to refundable deposits paid:

	December 31	
	2016	2015
Time deposits	<u>\$ 39,537</u>	<u>\$ 68,207</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets held for trading - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 63,871	\$ 217,798
Non-derivative financial assets		
Equity securities listed in open market	52,711	51,331
Mutual funds	-	15,341
Corporate bonds	32,844	76,537
Financial products	<u>302,401</u>	<u>577,947</u>
	<u>\$ 451,827</u>	<u>\$ 938,954</u>

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

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2016</u>			
Forward exchange contracts - sell	US\$/NT\$	2017.01.03-2017.12.26	US\$357,950/NT\$11,554,268
Forward exchange contracts - buy	US\$/NT\$	2017.01.04-2017.12.20	US\$375,000/NT\$12,104,625
Forward exchange contracts - sell	EUR/US\$	2017.01.25	EUR100/US\$106
Forward exchange contracts - buy	EUR/US\$	2016.10.14-2017.06.27	US\$25,829/EUR22,521
Forward exchange contracts - sell	US\$/EUR	2017.01.27-2017.09.11	US\$4,366/EUR4,056
Forward exchange contracts - sell	GBP/EUR	2017.06.12	GBP120/EUR140
<u>December 31, 2015</u>			
Forward exchange contracts - sell	US\$/NT\$	2016.01.01-2017.01.03	US\$372,000/NT\$12,300,552
Forward exchange contracts - buy	US\$/NT\$	2016.01.04-2016.12.28	US\$382,000/NT\$12,631,212
Forward exchange contracts - sell	EUR/US\$	2016.01.11	EUR100/US\$109
Forward exchange contracts - buy	EUR/US\$	2016.01.15-2016.08.31	US\$25,621/EUR22,731
Forward exchange contracts - sell	US\$/EUR	2016.01.15-2016.10.11	US\$2,212/EUR1,997
Forward exchange contracts - sell	AUD/EUR	2016.05.23	AUD150/EUR100
Forward exchange contracts - sell	GBP/EUR	2016.05.31-2016.06.13	GBP324/EUR458

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

8. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Domestic investments		
Domestic unlisted common shares	\$ 42,120	\$ 42,120
Foreign investments		
Overseas unlisted common shares	<u>51,655</u>	<u>51,891</u>
	<u>\$ 93,775</u>	<u>\$ 94,011</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 93,775</u>	<u>\$ 94,011</u>

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

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Current		
Time deposits with original maturity more than 3 months (Note 6)	<u>\$ 175,739</u>	<u>\$ 297,342</u>
Non-current		
Subordinated bond of Ta Chong Bank	\$ -	\$ 50,000
Time deposits with original maturity more than 12 months (Note 6)	<u>105,229</u>	<u>-</u>
	<u>\$ 105,229</u>	<u>\$ 50,000</u>

As of December 31, 2016 and 2015, debt investments with no active market - current of \$119,999 thousand and \$297,342 thousand, respectively, were pledged as collateral for borrowings and for a retail store (see Note 31).

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Notes receivable	\$ 61,825	\$ 61,493
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>61,825</u>	<u>61,493</u>
Trade receivables	2,465,786	2,440,753
Less: Allowance for impairment loss	<u>(62,645)</u>	<u>(29,306)</u>
	<u>2,403,141</u>	<u>2,411,447</u>
	<u>\$ 2,464,966</u>	<u>\$ 2,472,940</u>

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

The aging of receivables was as follows:

	December 31	
	2016	2015
Not due	\$ 2,014,908	\$ 2,047,513
Up to 30 days	257,788	167,066
31-60 days	43,541	66,521
61-365 days	67,537	89,560
More than 365 days	<u>82,012</u>	<u>70,093</u>
	<u>\$ 2,465,786</u>	<u>\$ 2,440,753</u>

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

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

	December 31	
	2016	2015
Up to 30 days	\$ 257,280	\$ 167,066
31-60 days	43,211	66,258
More than 60 days	<u>10,722</u>	<u>30,689</u>
	<u>\$ 311,213</u>	<u>\$ 264,013</u>

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

The movements of the allowance for impairment loss were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 625	\$ 40,145	\$ 40,770
Add: Additional amounts recognized from business combinations occurring during the year	-	1,308	1,308
Add: Impairment losses recognized on receivables	4	263	267
Less: Amounts written off during the year as uncollectible	(4)	-	(4)
Less: Amounts reclassified to overdue receivables	-	(12,936)	(12,936)
Foreign exchange differences	<u>-</u>	<u>(99)</u>	<u>(99)</u>
Balance at December 31, 2015	<u>\$ 625</u>	<u>\$ 28,681</u>	<u>\$ 29,306</u>

(Continued)

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 625	\$ 28,681	\$ 29,306
Add: Impairment loss recognized on receivables	13,609	1,992	15,601
Less: Amounts reclassified to overdue receivables	(336)	-	(336)
Add: Reclassified	18,679	-	18,679
Foreign exchange differences	<u>(572)</u>	<u>(33)</u>	<u>(605)</u>
Balance at December 31, 2016	<u>\$ 32,005</u>	<u>\$ 30,640</u>	<u>\$ 62,645</u> (Concluded)

The trade receivables factoring are summarized as follows:

(Unit: US\$ in Dollars; NT\$ in Thousands)									
Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year (Note 1)	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
2016									
Taishin International Bank	<u>\$ 15,749</u> (Note 1)	<u>\$ 22,082</u> (Note 2)	<u>\$ 37,831</u> (Note 3)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	US\$ 3,800,000	\$ -
2015									
Taishin International Bank	<u>\$ 42,153</u> (Note 1)	<u>\$ 122,975</u> (Note 2)	<u>\$ 148,995</u> (Note 3)	<u>\$ 16,133</u> (Note 4)	<u>\$ -</u>	-	<u>\$ -</u>	US\$ 3,800,000	-

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

Note 1: US\$487,898; US\$1,274,819.

Note 2: US\$684,103; US\$3,719,065.

Note 3: US\$1,172,001; US\$4,505,986.

Note 4: US\$487,898.

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

11. INVENTORIES

	December 31	
	2016	2015
Merchandise - retail	\$ 4,488,189	\$ 4,284,737
Merchandise - trade	2,094,915	2,235,675
Construction land	53,131	-
Construction in progress	<u>6,495</u>	<u>198,197</u>
	<u>\$ 6,642,730</u>	<u>\$ 6,718,609</u>

The cost of inventories recognized as cost of sales for the years ended December 31, 2016 and 2015 was \$22,084,954 thousand and \$22,296,503 thousand, respectively.

The operating cost includes inventory write-downs in the amount of \$55,656 thousand and a loss on physical inventory count in the amount of \$59,265 thousand for the year ended December 31, 2016; the operating cost includes inventory write-downs in the amount of \$36,851 thousand and a loss on physical inventory count in the amount of \$58,895 thousand for the year ended December 31, 2015.

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

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

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

12. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Subsidiaries	Main Businesses	% of Ownership		Remark
			December 31		
			2016	2015	
Test-Rite International Co., Ltd.	Fortune Miles Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Star Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Investment (B.V.I.) Co., Ltd.	Investment in various industries	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Product (Hong Kong) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l (Australia) Pty Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Canada Co., Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite (UK) Co., Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Development Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Upmaster Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l (U.S.) Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	and Upmaster Co., Ltd.				
Test-Rite International Co., Ltd.	Test-Rite Vietnam Co., Ltd.	Importation and exportation	95.00	95.00	Note
Test-Rite International Co., Ltd.	Lih Chiou Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Lih Teh International Co., Ltd.	Logistics services	100.00	100.00	
Test-Rite International Co., Ltd.	Pro-quality Service Co., Ltd.	Management system verification and notarization service	100.00	100.00	
Test-Rite International Co., Ltd.	Fusion International Distribution, Inc.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Chung Cin Enterprise Co., Ltd.	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Retail Co., Ltd.	Sale of house decoration hardware and construction materials	100.00	100.00	
Test-Rite International Co., Ltd.	and Lih Chiou Co., Ltd.				
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	100.00	100.00	
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	
Test-Rite Retail	Hola Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Testrite Brand Agency Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Test-Rite C&B Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	

Note: Test-Rite Vietnam Co., Ltd. decided to undergo dissolution in September 2015 but has yet to be liquidated

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2016	2015
Land	\$ 545,512	\$ 545,512

Buildings and improvements	2,040,142	2,138,718
Machinery and equipment	35,052	31,595
Transportation equipment	17,478	22,849
Furniture, fixtures and office equipment	152,998	184,488
Leasehold improvements	2,739,965	2,917,889
Molds and tools	7,977	3,307
Other equipment	150,537	179,551
Prepayments for property, plant and equipment	<u>152,035</u>	<u>387,321</u>
	<u>\$ 5,841,696</u>	<u>\$ 6,411,230</u>

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
Cost										
Balance at January 1, 2015	\$ 545,512	\$ 2,387,538	\$ 80,159	\$ 69,356	\$ 847,653	\$ 7,553,392	\$ 11,993	\$ 775,738	\$ 82,555	\$ 12,353,896
Additions	-	14,163	6,853	6,975	29,527	183,397	-	19,980	804,710	1,065,605
Acquisitions through business combinations	-	-	2,695	9,091	9,506	-	-	6,254	-	27,546
Disposals	-	(8,657)	(3,200)	(5,584)	(34,932)	(42,470)	(1,399)	(20,793)	-	(117,035)
Reclassified	-	385,629	2,254	(3,105)	34,292	322,743	(1,565)	31,198	(499,975)	271,471
Effect of foreign currency exchange differences	-	5,606	(716)	(1,642)	(2,241)	(9,842)	(10)	(1,477)	31	(10,291)
Balance at December 31, 2015	<u>\$ 545,512</u>	<u>\$ 2,784,279</u>	<u>\$ 88,045</u>	<u>\$ 75,091</u>	<u>\$ 883,805</u>	<u>\$ 8,007,220</u>	<u>\$ 9,019</u>	<u>\$ 810,900</u>	<u>\$ 387,321</u>	<u>\$ 13,591,192</u>
Accumulated depreciation and impairment										
Balance at January 1, 2015	\$ -	\$ 421,071	\$ 50,617	\$ 49,716	\$ 659,023	\$ 4,532,045	\$ 6,416	\$ 586,924	\$ -	\$ 6,305,812
Depreciation expense	-	120,480	5,405	8,383	54,492	406,601	2,991	69,803	-	668,155
Acquisitions through business combinations	-	-	1,371	2,117	8,525	-	-	3,957	-	15,970
Disposals	-	(8,657)	(475)	(3,948)	(33,431)	(25,859)	(1,234)	(19,855)	-	(93,459)
Reclassified	-	108,141	-	(3,105)	12,187	181,328	(2,458)	(8,602)	-	287,491
Effect of foreign currency exchange differences	-	4,526	(468)	(921)	(1,479)	(4,784)	(3)	(878)	-	(4,007)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 645,561</u>	<u>\$ 56,450</u>	<u>\$ 52,242</u>	<u>\$ 699,317</u>	<u>\$ 5,089,331</u>	<u>\$ 5,712</u>	<u>\$ 631,349</u>	<u>\$ -</u>	<u>\$ 7,179,962</u>
Carrying amounts at December 31, 2015	<u>\$ 545,512</u>	<u>\$ 2,138,718</u>	<u>\$ 31,595</u>	<u>\$ 22,849</u>	<u>\$ 184,488</u>	<u>\$ 2,917,889</u>	<u>\$ 3,307</u>	<u>\$ 179,551</u>	<u>\$ 387,321</u>	<u>\$ 6,411,230</u>
Cost										
Balance at January 1, 2016	\$ 545,512	\$ 2,784,279	\$ 88,045	\$ 75,091	\$ 883,805	\$ 8,007,220	\$ 9,019	\$ 810,900	\$ 387,321	\$ 13,591,192
Additions	-	21,221	2,667	4,392	32,000	130,213	7,733	7,639	411,227	617,092
Disposals	-	(427)	(418)	(10,927)	(68,323)	(51,475)	(1,198)	(46,457)	(7,173)	(186,398)
Reclassified	-	(4,650)	10,958	(271)	3,586	411,570	-	29,233	(638,912)	(188,486)
Effect of foreign currency exchange differences	-	(13,926)	(7,070)	(4,654)	(16,570)	(128,037)	(85)	(11,754)	(428)	(182,524)
Balance at December 31, 2016	<u>\$ 545,512</u>	<u>\$ 2,786,497</u>	<u>\$ 94,182</u>	<u>\$ 63,631</u>	<u>\$ 834,498</u>	<u>\$ 8,369,491</u>	<u>\$ 15,469</u>	<u>\$ 789,561</u>	<u>\$ 152,035</u>	<u>\$ 13,650,876</u>
Accumulated depreciation and impairment										
Balance at January 1, 2016	\$ -	\$ 645,561	\$ 56,450	\$ 52,242	\$ 699,317	\$ 5,089,331	\$ 5,712	\$ 631,349	\$ -	\$ 7,179,962
Depreciation expense	-	108,154	8,014	8,360	52,972	424,043	3,028	63,501	-	668,072
Disposals	-	(342)	(529)	(10,792)	(55,611)	(24,906)	(1,198)	(44,926)	-	(138,304)
Reclassified	-	(5)	-	(271)	(4,017)	216,318	-	(2,513)	-	209,512
Effect of foreign currency exchange differences	-	(7,013)	(4,805)	(3,386)	(11,161)	(75,260)	(50)	(8,387)	-	(110,062)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 746,355</u>	<u>\$ 59,130</u>	<u>\$ 46,153</u>	<u>\$ 681,500</u>	<u>\$ 5,629,526</u>	<u>\$ 7,492</u>	<u>\$ 639,024</u>	<u>\$ -</u>	<u>\$ 7,809,180</u>
Carrying amounts at December 31, 2016	<u>\$ 545,512</u>	<u>\$ 2,040,142</u>	<u>\$ 35,052</u>	<u>\$ 17,478</u>	<u>\$ 152,998</u>	<u>\$ 2,739,965</u>	<u>\$ 7,977</u>	<u>\$ 150,537</u>	<u>\$ 152,035</u>	<u>\$ 5,841,696</u>

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

Building and improvements	35-60 years
Machinery and equipment	2-20 years
Transportation equipment	3-5 years
Furniture, fixtures and office equipment	3-10 years
Leasehold improvements	3-20 years
Molds and tools	2-10 years
Other equipment	3-17 years

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. Under IFRSs, if the sale price is fair value, the sale and leaseback should be recognized immediately to the profit or loss; sale price is higher than the fair value should be deferred and expect to be amortized over lease term. For the years ended December 31, 2016 and 2015, the amortization of unrealized gain was \$50,000 thousand, which was treated as a reduction of rental cost. As of December 31, 2016 and 2015, the unrealized gain was \$50,000 thousand and \$100,000 thousand, respectively, which were recorded: The current portion of \$50,000 thousand as other current liabilities and the noncurrent portion of \$0 thousand and \$50,000 thousand,

respectively, as other liabilities - deferred credit.

14. GOODWILL

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 2,342,753	\$ 2,231,278
Additional amounts recognized from business combinations occurring during the year (Note 24)	-	115,951
Foreign exchange differences	<u>(6,851)</u>	<u>(4,476)</u>
Balance at December 31	<u>\$ 2,335,902</u>	<u>\$ 2,342,753</u>

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

	December 31	
	2016	2015
Retail	\$ 2,118,310	\$ 2,118,928
Trading	198,199	204,432
Others	<u>19,393</u>	<u>19,393</u>
	<u>\$ 2,335,902</u>	<u>\$ 2,342,753</u>

For the years ended December 31, 2016 and 2015, the Company evaluated the recoverable amounts of the above three cash-generating units, and no indication of impairment was found.

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

15. OTHER INTANGIBLE ASSETS

	December 31	
	2016	2015
Computer software	\$ 157,343	\$ 181,650
Others	<u>78,712</u>	<u>88,885</u>
	<u>\$ 236,055</u>	<u>\$ 270,535</u>

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2015	\$ 957,320	\$ 16,550	\$ 973,870
Additions	33,273	3,022	36,295
Acquisitions through business combinations	20,652	94,723	115,375
Disposals	(310,525)	(3,411)	(313,936)
Reclassified	<u>791</u>	<u>(7,996)</u>	<u>(7,205)</u>
Balance at December 31, 2015	<u>\$ 701,511</u>	<u>\$ 102,888</u>	<u>\$ 804,399</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2015	\$ 726,995	\$ 5,135	\$ 732,130
Amortization expense	145,219	9,991	155,210
Acquisitions through business combinations	13,153	1,231	14,384
Disposals	(310,525)	(3,411)	(313,936)
Reclassified	<u>(54,981)</u>	<u>1,057</u>	<u>(53,924)</u>
Balance at December 31, 2015	<u>\$ 519,861</u>	<u>\$ 14,003</u>	<u>\$ 533,864</u>
Carrying amounts at December 31, 2015	<u>\$ 181,650</u>	<u>\$ 88,885</u>	<u>\$ 270,535</u>
<u>Cost</u>			
Balance at January 1, 2016	\$ 701,511	\$ 102,888	\$ 804,399
Additions	19,992	3,113	23,105
Disposals	(135,147)	-	(135,147)
Reclassified	38,092	1,580	39,672
Foreign exchange translation differences	<u>(3,764)</u>	<u>(4,681)</u>	<u>(8,445)</u>
Balance at December 31, 2016	<u>\$ 620,684</u>	<u>\$ 102,900</u>	<u>\$ 723,584</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2016	\$ 519,861	\$ 14,003	\$ 533,864
Amortization expense	138,946	9,371	148,317
Disposals	(135,030)	-	(135,030)
Reclassified	(58,416)	1,580	(56,836)
Foreign exchange translation differences	<u>(2,020)</u>	<u>(766)</u>	<u>(2,786)</u>
Balance at December 31, 2016	<u>\$ 463,341</u>	<u>\$ 24,188</u>	<u>\$ 487,529</u>
Carrying amounts at December 31, 2016	<u>\$ 157,343</u>	<u>\$ 78,712</u>	<u>\$ 236,055</u>

Other intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

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

16. BORROWINGS

	December 31	
	2016	2015
Short-term borrowings	<u>\$ 1,799,526</u>	<u>\$ 2,283,327</u>
Short-term bills payable	<u>\$ -</u>	<u>\$ 49,966</u>
Current portion of long-term borrowings	<u>\$ 600,000</u>	<u>\$ 1,603,641</u>
Long-term borrowings	<u>\$ 5,571,922</u>	<u>\$ 5,106,969</u>

a. Short-term borrowings as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	2015
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 1,799,526</u>	<u>\$ 2,283,327</u>

The range of weighted average effective interest rate on bank loans was 0.95%-4.5% and 1.058%-4.8% per annum as of December 31, 2016 and 2015, respectively.

b. Short-term bills payable

	December 31	
	2016	2015
Commercial paper	\$ -	\$ 50,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>(34)</u>
	<u>\$ -</u>	<u>\$ 49,966</u>

c. Long-term borrowings

	December 31		
	2016		2015
	Interest Rate	Amount	Amount
First Commercial Bank's Syndicated Loan			
Unsecured loan from June 24, 2015 to June 24, 2020. Authorized credit line of \$5,980 million. Principal due in seven 8-month installments with the first installment due on December 17, 2016.	1.7895%	\$ 3,200,000	\$ 1,500,000
Unsecured loan from June 17, 2015 to June 17, 2020. Authorized credit line of \$4,480 million. On July 18, 2016, the Company paid the principal in full in advance.	-	-	1,000,000
Unsecured loan from June 24, 2015 to June 17, 2020. Authorized credit line of \$4,480 million. Principal due on June 17, 2020.	2.4101% - 2.8013%	742,417	661,320

(Continued)

December 31

	2016		2015
	Interest Rate	Amount	Amount
Unsecured loan from July 27, 2012 to June 24, 2016. Authorized credit line of \$4,000 million. Principal due on June 24, 2016.	-	\$ -	\$ 595,188
First Commercial Bank and Taiwan Business Bank's Syndicated Loan			
Unsecured loan from July 16, 2012 to July 16, 2019. Authorized credit line of US\$29,000 thousand. Principal due in annual installments with the first installment due on July 16, 2017.	2.68%	484,185	958,914
Unsecured loan from July 16, 2012 to July 16, 2019. Authorized credit line of US\$29,000 thousand. Principal due on July 16, 2019.	2.68%	193,674	462,924
First Commercial Bank			
Unsecured loan from June 22, 2012 to July 30, 2017. Authorized credit line of \$500 million. Principal due in installments with the first installment is due on June 22, 2014. On December 30, 2016, the Company paid the principal in full in advance.	-	-	350,000
Chang Hwa Bank			
Unsecured loan from October 1, 2013 to October 1, 2016. Authorized credit line of \$300 million. Principal due on October 1, 2016.	-	-	200,000
Unsecured loan from September 30, 2016 to September 30, 2019. Authorized credit line of \$200 million. Principal due on September 30, 2019.	1.59%	200,000	-
Taishin International Bank			
Unsecured loan from October 16, 2015 to January 14, 2016. Authorized credit line of \$200 million. Authorized period from May 18, 2015 to May 18, 2017. Principal due on January 14, 2016.	-	-	200,000
Unsecured loan from December 12, 2016 to March 10, 2017. Authorized credit line of \$300 million. Authorized period from May 18, 2015 to May 18, 2017. Principal due on March 10, 2017.	1.45%	300,000	-
Taiwan Business Bank			
Unsecured loan from July 19, 2016 to November 16, 2016. Authorized credit line of \$500 million. Authorized period from November 12, 2013 to November 12, 2016. Principal due on November 16, 2016.	-	-	150,000

(Continued)

	December 31		
	2016		2015
	Interest Rate	Amount	Amount
Unsecured loan from June 29, 2016 to October 27, 2016. Authorized credit line of \$500 million. Authorized period from November 12, 2013 to November 12, 2016. Principal due on October 27, 2016.	-	\$ -	\$ 100,000
Unsecured loan from December 22, 2016 to December 22, 2019. Authorized credit line of \$600 million. Principal due on December 22, 2019.	1.598%	300,000	-
Export-Import Bank of the Republic of China Unsecured loan from November 18, 2013 to November 19, 2018. Authorized credit line of US\$4 million. Principal is due in 5 semi-annual installments with the first installment due at the time of the first interest payment after the first 3 years since the initial borrowing. Interest is paid quarterly.	2.3044%	51,646	132,264
Industrial Bank of Taiwan Unsecured loan from December 29, 2015 to December 29, 2018. Authorized credit line of \$200 million. Principal due in four 3-month installments with the first installment due on March 29, 2018.	1.6906%	200,000	200,000
Unsecured loan from August 29, 2013 to August 15, 2017. Authorized credit line of \$100 million. On September 10, 2016, the Company paid the principal in full in advance.	-	-	100,000
Unsecured loan from September 25, 2013 to August 29, 2017. Authorized credit line of \$100 million. On September 19, 2016, the Company paid the principal in full in advance.	-	-	100,000
Unsecured loan from September 26, 2016 to September 26, 2019. Authorized credit line of \$200 million. Principal due in four 3-month installments with the first installment due on January 20, 2019.	1.6905%	200,000	-
Unsecured loan from November 15, 2016 to November 15, 2018. Authorized credit line of \$300 million. Principal due on November 15, 2018.	1.50878%	300,000	-
Less current portion		<u>(600,000)</u>	<u>(1,603,641)</u>
		<u>\$ 5,571,922</u>	<u>\$ 5,106,969</u> (Concluded)

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

1) First Commercial Bank Syndicated Loan

- a) For the Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of no more than 2 to 1.
- b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
- c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.
- d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
- e) The calculations of the ratios are based on the parent company only financial statements of Test-Rite for each year ended December 31.

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

- a) For the Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of no more than 2 to 1.
- b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
- c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.
- d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
- e) The calculations of the ratios are based on the parent company only financial statements of Test-Rite for each year ended December 31.

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

- a) For the Total Liabilities Ratio, Test-Rite Retail shall maintain a ratio of Total Liabilities to Total Assets of no more than 2 to 1.
- b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
- c) For the EBITDA Ratio, Test-Rite Retail shall maintain a ratio of EBITDA to Interest Expense of greater than 3 to 1.
- d) The calculations of the ratios are based on the parent company only financial statements of Test-Rite Retail for each year ended December 31.

17. PROVISIONS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Decommissioning cost (included in other non-current liabilities)	\$ 59,965	\$ 60,494
Sales returns and discounts (included in other payables)	53,937	27,050
Employee benefits (included in other payables)	<u>8,303</u>	<u>12,006</u>
	<u>\$ 122,205</u>	<u>\$ 99,550</u>
Current	\$ 62,240	\$ 39,056
Non-current	<u>59,965</u>	<u>60,494</u>
	<u>\$ 122,205</u>	<u>\$ 99,550</u>

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

18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Accrued expenses	\$ 1,279,776	\$ 1,133,704
Payable for purchase of equipment	24,969	87,132
Bonuses payable to employees	16,782	17,970
Bonuses payable to directors and supervisors	29,520	32,143
Allowance of sales returns and discounts	53,937	27,050
Payable for employee benefits	8,303	12,006
Others	<u>243,800</u>	<u>165,361</u>
	<u>\$ 1,657,087</u>	<u>\$ 1,475,366</u>

19. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 452,039	\$ 427,231
Fair value of plan assets	<u>(317,413)</u>	<u>(298,840)</u>
	134,626	128,391
Defined benefit asset (included in other non-current assets)	<u>37,636</u>	<u>60,321</u>
Net defined benefit liability (included in net defined benefit liabilities - non-current)	<u>\$ 172,262</u>	<u>\$ 188,712</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ 339,015	\$ (293,572)	\$ 45,443
Business combinations	<u>38,689</u>	<u>(13,268)</u>	<u>25,421</u>
Service cost			
Current service cost	4,408	-	4,408
Net interest expense (income)	<u>7,189</u>	<u>(6,166)</u>	<u>1,023</u>
Recognized in profit or loss	<u>11,597</u>	<u>(6,166)</u>	<u>5,431</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	223	223
Actuarial loss - changes in financial assumptions	15,202	-	15,202
Actuarial loss - experience adjustments	33,178	-	33,178
Actuarial loss - changes in demographic assumptions	<u>22,337</u>	<u>-</u>	<u>22,337</u>
Recognized in other comprehensive income	<u>70,717</u>	<u>223</u>	<u>70,940</u>
Contributions from the employer	-	(17,406)	(17,406)
Benefits paid	(30,330)	30,330	-
Others	<u>(2,457)</u>	<u>1,019</u>	<u>(1,438)</u>
Balance at December 31, 2015	<u>427,231</u>	<u>(298,840)</u>	<u>128,391</u>
Service cost			
Current service cost	4,275	-	4,275
Net interest expense (income)	<u>6,782</u>	<u>(5,031)</u>	<u>1,751</u>
Recognized in profit or loss	<u>11,057</u>	<u>(5,031)</u>	<u>6,026</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 2,731	\$ 2,731
Actuarial loss - changes in financial assumptions	23,196	-	23,196
Actuarial loss - experience adjustments	10,920	-	10,920
Actuarial loss - changes in demographic assumptions	<u>30,313</u>	<u>-</u>	<u>30,313</u>
Recognized in other comprehensive income	<u>64,429</u>	<u>2,731</u>	<u>67,160</u>
Contributions from the employer	-	(66,098)	(66,098)
Benefits paid	(48,941)	48,941	-
Others	<u>(1,737)</u>	<u>884</u>	<u>(853)</u>
Balance at December 31, 2016	<u>\$ 452,039</u>	<u>\$ (317,413)</u>	<u>\$ 134,626</u> (Concluded)

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

	<u>For the Year Ended December 31</u>	
	2016	2015
Selling and marketing expenses	<u>\$ 6,026</u>	<u>\$ 5,431</u>

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

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

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

	<u>December 31</u>	
	2016	2015
Discount rate	1.125%-2.500%	1.375%-2.500%
Expected rate of salary increase	2.000%-3.000%	0.000%-3.000%

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

(decrease) as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rate		
0.25%-0.5% increase	<u>\$ (12,339)</u>	<u>\$ (15,631)</u>
0.25%-0.5% decrease	<u>\$ 12,858</u>	<u>\$ 16,810</u>
Expected rate of salary increase		
0.25%-1% increase	<u>\$ 14,437</u>	<u>\$ 13,367</u>
0.25%-1% decrease	<u>\$ (13,629)</u>	<u>\$ (12,565)</u>

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
The expected contributions to the plan for the next year	<u>\$ 12,691</u>	<u>\$ 17,383</u>
The average duration of the defined benefit obligation	9.80-19.00 years	9.10-25.44 years

20. EQUITY

a. Share capital

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Number of shares authorized (in thousands)	<u>750,000</u>	<u>750,000</u>
Shares authorized	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>509,888</u>	<u>509,888</u>
Shares issued	<u>\$ 5,098,875</u>	<u>\$ 5,098,875</u>

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

Test-Rite's outstanding share capital as of January 1, 2015 amounted to \$5,139,555 thousand. On June 26, 2015, the board of directors decided to retire 4,068 thousand shares of treasury shares. Such retirement of treasury shares resulted in a decrease in share capital of \$40,680 thousand. Consequently, as of December 31, 2016, Test-Rite's share capital decreased to \$5,098,875 thousand.

b. Capital surplus

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Additional paid-in capital - issuance of shares in excess of par	<u>\$ 673,456</u>	<u>\$ 673,456</u>

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

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of

dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 23, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 27.

The dividend policy of Test-Rite is as follows:

The dividend policy is designed for Test-Rite to achieve its business plan and, at the same time, maintain shareholders' benefits. Distribution is made through share dividends, common shares from capital surplus and cash dividends. Cash dividends shall not be less than 10% of the total distribution. However, if cash dividends per share are less than \$0.1, share dividends could be distributed instead of cash dividends.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 approved in the shareholders' meetings on June 23, 2016 and June 15, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2015	2014	2015	2014
Legal reserve	\$ 53,888	\$ 65,538	\$ -	\$ -
Cash dividends	484,393	577,401	0.95	1.15

The appropriation of earnings for 2016 had been proposed by the Company's board of directors on March 24, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 60,947	\$ -
Special reserve	18,282	-
Cash dividends	525,184	1.03

The appropriation of earnings for 2016 are subject to the resolution of the shareholders' meeting to be

held on June 15, 2017.

d. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

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

2) Unrealized gains (loss) on available-for-sale financial assets

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

21. TREASURY SHARES

The changes in treasury shares for the years ended December 31, 2016 and 2015 were summarized as follows (in shares):

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

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

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

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

According to the Stock Exchange Law of the ROC, the shares of treasury shares should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury shares should not be over the total of retained earnings and realized additional paid-in capital. The highest number of shares of treasury shares held by Test-Rite as of December 31, 2015 was 11,688 thousand shares. The total amount was \$248,171 thousand pursuant to the law.

As of December 31, 2016 and 2015, information regarding Test-Rite's share-based payment was summarized below:

- a. As of December 31, 2016 and 2015, Test-Rite's share-based payment was as follows:

Type of Arrangement	Grant Date	Number of Options Granted	Contract Period	Grant Condition	Turnover Rates for This Year	Estimated Turnover Rate
Treasury stock transfer to employees	April 24, 2015	7,800,000	-	Immediate	-	-

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

Type of Arrangement	Grant Date	Grant-date Share Price (NT\$)	Exercise Price (NT\$)	Expected Volatility	Option Life (Years)	Expected Dividend Yield	Risk-free Interest Rate	Fair Value Per Unit (NT\$)
Treasury stock transfer to employees	April 24, 2015	\$20.90	\$20.240	12.76%	-	-	0.60%	\$0.67

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

22. INCOME TAX

- a. Major components of tax expense (income) recognized in profit or loss:

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
In respect of the current year	\$ 262,156	\$ 259,457
Adjustments to deferred tax assets	(46,639)	(68,032)
Adjustments for prior periods	<u>826</u>	<u>-</u>
	<u>\$ 216,343</u>	<u>\$ 194,620</u>

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

	For the Year Ended December 31	
	2016	2015
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 460,849	\$ 405,845
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(198,693)	(146,388)
Adjustments to deferred tax assets	(46,639)	(68,032)
Adjustments for prior periods	<u>826</u>	<u>3,195</u>
Income tax expense recognized in profit or loss	<u>\$ 216,343</u>	<u>\$ 194,620</u>

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

c. The information of Test-Rite about Integrated Income Tax was summarized as follows:

	December 31	
	2016	2015
Unappropriated earnings		
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 609,465</u>	<u>\$ 538,877</u>
Imputation credits account	<u>\$ 648,860</u>	<u>\$ 613,083</u>
	For the Year Ended December 31	
	2016 (Expected)	2015
Creditable ratio for distribution of earnings	20.48%	20.48%

d. Income tax assessments

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

23. EARNINGS PER SHARE

For the years ended December 31, 2016 and 2015, the amounts of earnings per share were calculated as follows:

	2016		
	<u>Amounts (Numerator)</u> Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	<u>EPS (NT\$)</u> Parent Co. Shareholders Income After Tax
Basic earnings per share			
Net income to shareholders of common shares	\$ 676,029	509,888	<u>\$ 1.33</u>
The effects of dilutive potential common shares			
Bonus to employees	<u>-</u>	<u>420</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 676,029</u>	<u>510,308</u>	<u>\$ 1.32</u>
	2015		
	<u>Amounts (Numerator)</u> Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	<u>EPS (NT\$)</u> Parent Co. Shareholders Income After Tax
Basic earnings per share			
Net income to shareholders of common shares	\$ 670,509	507,288	<u>\$ 1.32</u>
The effects of dilutive potential common shares			
Bonus to employees	<u>-</u>	<u>504</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 670,509</u>	<u>507,792</u>	<u>\$ 1.32</u>

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

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

In order to expand its trading business, the Company paid a total of EUR6,242 thousand to related

parties, Tony Ho, Judy Lee and Robin Ho and non-related parties, Dirk Zimmermann etc. to acquire two subsidiaries 100% owned by TR Development.

b. Considerations transferred

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

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

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

d. Net cash outflow on acquisition of subsidiaries

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

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

26. OPERATING LEASE ARRANGEMENTS

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

Period	Amount
2017-2021	\$ 8,588,068
Later than 2021 (present values of \$3,328,069 thousand)	<u>3,840,176</u>
	<u>\$ 12,428,244</u>

27. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2016 and 2015 were summarized as follows:

Expense Item	Function	2016			2015		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses							
Salaries		\$ 28,246	\$ 3,305,562	\$ 3,333,808	\$ 24,906	\$ 3,467,910	\$ 3,492,816
Labor insurance and health insurance		2,224	246,551	248,775	2,200	243,841	246,041
Pension cost		1,218	209,531	210,749	1,179	216,073	217,252
Others		2,096	316,795	318,891	2,159	354,493	356,652
Depreciation expenses		89,336	578,736	668,072	78,334	589,821	668,155
Amortization expenses		8	148,309	148,317	25	155,185	155,210

As of December 31, 2016 and 2015, Test-Rite and its subsidiaries had 6,397 and 6,105 employees, respectively.

a. Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in June 2016, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015, which have been approved by the Company's board of directors on March 24, 2017 and March 25, 2016, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2016	2015
Employees' compensation	1.0%	1.0%
Remuneration of directors and supervisors	1.5%	1.5%

Amount

	<u>For the Year Ended December 31</u>	
	Cash	Cash
Employees' compensation	\$ 6,709	\$ 7,380
Remuneration of directors and supervisors	10,063	11,070

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 15, 2015 were as follows:

	<u>For the Year Ended December 31, 2014</u>
	Cash
Bonus to employees	\$ 5,898
Remuneration of directors and supervisors	11,297

The bonus to employees and the remuneration of directors and supervisors for 2014 approved in the shareholders' meeting on June 15, 2015 and the amounts recognized in the financial statements were as follows:

	For the Year Ended December 31, 2014	
	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meeting	<u>\$ 5,898</u>	<u>\$ 11,297</u>
Amounts recognized in annual financial statements	<u>\$ 5,500</u>	<u>\$ 11,100</u>

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

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. CAPITAL MANAGEMENT

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

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating transactions

	Rent Expense	
	For the Year Ended December 31	
	2016	2015
Others	<u>\$ 318,405</u>	<u>\$ 311,009</u>

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

	Refundable Deposits Paid	
	December 31	
	2016	2015
Others	<u>\$ 125,000</u>	<u>\$ 125,000</u>

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

b. Equity transaction

See Note 24.

c. Property lease

The future minimum lease payments for the Company and others (Tsai Wang, Li Xiong and Judy Lee) of non-cancellable operating lease commitments were as follows:

Period	Amount
2017-2020	<u>\$ 374,658</u>

d. Endorsements or guarantees

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

As of December 31, 2016, short-term borrowings of \$73,610 thousand were guaranteed by others (Tony Ho and Judy Lee), short-term borrowings of \$170,554 thousand were guaranteed by others (Judy Lee), short-term borrowings of \$448,000 thousand were guaranteed by others (Tony Ho).

As of December 31, 2016, long-term borrowings of \$677,859 thousand were guaranteed by others (Tony Ho and Judy Lee), long-term borrowings of \$3,994,063 thousand were guaranteed by others (Judy Lee), and long-term borrowings of \$1,500,000 thousand were guaranteed by others (Tony Ho).

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

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

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

e. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2016	2015
Short-term employee benefits	\$ 176,238	\$ 187,146
Post-employment benefits	<u>10,109</u>	<u>38,665</u>
	<u>\$ 186,347</u>	<u>\$ 225,811</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Fair value of financial instruments not carried at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value. As of December 31, 2016 and 2015, the carrying amounts approximate their fair value.

b. Fair value measurements recognized in the consolidated balance sheets

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives financial assets	\$ <u> -</u>	\$ <u> 63,871</u>	\$ <u> -</u>	\$ <u> 63,871</u>
Non-derivative financial assets	\$ <u> 387,956</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 387,956</u>
Financial liabilities at FVTPL				
Derivatives financial assets	\$ <u> -</u>	\$ <u> 51,019</u>	\$ <u> -</u>	\$ <u> 51,019</u>

December 31, 2015

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

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

Financial Risk Management Objectives and Policies

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

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

a. Market risk

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

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

1) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (see Note 33).

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and the effect on profit and loss by their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity associated with New Taiwan dollars strengthen 10% against the relevant currency. For a 10% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	Currency USD Impact		Currency EUR Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2016	2015	2016	2015
Equity	<u>\$ (51,156)</u>	<u>\$ (63,645)</u>	<u>\$ 1,040</u>	<u>\$ 5,682</u>

2) Interest rate risk

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

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

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

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 451,916	\$ 500,259
Financial liabilities	7,971,448	8,993,937

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

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Company's cash outflow for the years ended December 31, 2016 and 2015 would have been higher by \$75,195 thousand and \$84,937 thousand.

b. Credit risk

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

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

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

to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

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

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

c. Liquidity risk

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

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

	December 31, 2016			
	1 Year	1-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,462,047	\$ -	\$ 237,375	\$ 7,699,422
Variable interest rate liabilities	<u>2,399,526</u>	<u>2,076,646</u>	<u>3,495,276</u>	<u>7,971,448</u>
	<u>\$ 9,861,573</u>	<u>\$ 2,076,646</u>	<u>\$ 3,732,651</u>	<u>\$ 15,670,870</u>
	December 31, 2015			
	1 Year	1-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,299,812	\$ -	\$ 250,637	\$ 7,550,449
Fixed interest rate liabilities	49,966	-	-	49,966
Variable interest rate liabilities	<u>3,886,968</u>	<u>1,988,087</u>	<u>3,118,882</u>	<u>8,993,937</u>
	<u>\$ 11,236,746</u>	<u>\$ 1,988,087</u>	<u>\$ 3,369,519</u>	<u>\$ 16,594,352</u>

31. PLEDGED ASSETS

	December 31	
	2016	2015
Time deposits (see Notes 6 and 9)	<u>\$ 159,536</u>	<u>\$ 365,549</u>

32. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's, Test-Rite Retail's and Testrite Brand Agency's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2016 were US\$1,441 thousand and EUR178 thousand.

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

Endorsements/guarantees provided: As of December 31, 2016 and 2015, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Endorsements		
TR Products	US\$ 23,000	US\$ 23,080
TR Trading & TR Retailing	US\$ 21,000	US\$ 21,000
Hola Shanghai Retail & Trading, Test-Rite (China) Investment and Test-Rite Business Development	US\$ 6,500	US\$ 6,500
Test-Rite Business Development	US\$ 5,000	US\$ 5,000
Hola Shanghai Retail & Trading	US\$ 5,000	US\$ 5,000
TR Pte.	US\$ 1,000	US\$ 1,500
Subsidiary of TR Development	EUR 7,000	EUR 7,000
TRGI & Subsidiary of TR Development	EUR 1,000	EUR 1,000
TR Canada	CAD 30	CAD 60
Test-Rite C&B	NT\$ 45,000	NT\$ 45,000

As of December 31, 2016 and 2015 Test-Rite Retail and Testrite Brand Agency have import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$140,844 thousand and \$86,960 thousand.

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

The information of significant foreign-currency financial assets and liabilities as of December 31, 2016 and 2015 was summarized as follows:

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

	<u>December 31</u>					
	<u>2016</u>			<u>2015</u>		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars</u>
<u>Financial assets</u>						
Monetary items						
USD	\$ 95,778	32.279	\$ 3,091,618	\$ 112,546	33.066	\$ 3,721,446
EUR	437	34.1107	14,906	1,956	35.8952	70,211
<u>Financial liabilities</u>						
Monetary items						
USD	111,626	32.279	3,603,176	131,794	33.066	4,357,900
EUR	132	34.1107	4,503	373	35.8952	13,389

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains (losses) were \$368,318 thousand and \$156,526 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. OPERATING SEGMENT FINANCIAL INFORMATION

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

A Segment - retail segment
 B Segment - trading segment
 C Segment - construction segment

Segment Revenue and Results

The analysis of the Company's revenue and results from continuing operations by reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016				Total
	A Segment	B Segment	C Segment	Adjustment and Elimination	
Operating revenue	\$ 21,847,126	\$ 15,912,175	\$ 2,181,307	\$ (4,497,164)	\$ 35,443,444
Operating costs	<u>(14,130,521)</u>	<u>(12,081,418)</u>	<u>(1,878,887)</u>	<u>3,906,196</u>	<u>(24,184,630)</u>
Gross profit	7,716,605	3,830,757	302,420	(590,968)	11,258,814
Operating expenses	<u>(7,458,805)</u>	<u>(3,607,420)</u>	<u>(106,764)</u>	<u>738,995</u>	<u>(10,433,994)</u>
Profit from operations	<u>\$ 257,800</u>	<u>\$ 223,337</u>	<u>\$ 195,656</u>	<u>\$ 148,027</u>	<u>824,820</u>
Nonoperating income and expenses					<u>67,543</u>
Profit before income tax					<u>\$ 892,363</u>

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

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2016 and 2015.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2016 and 2015 was as follows:

	2016				Total
	A Segment	B Segment	C Segment	Adjustment and Elimination	
Assets	<u>\$ 12,699,604</u>	<u>\$ 15,699,913</u>	<u>\$ 1,831,809</u>	<u>\$ (5,914,028)</u>	<u>\$ 24,317,298</u>
Liabilities	<u>\$ 9,419,568</u>	<u>\$ 7,391,494</u>	<u>\$ 501,517</u>	<u>\$ (411,564)</u>	<u>\$ 16,901,015</u>

	2015				Total
	A Segment	B Segment	C Segment	Adjustment and Elimination	

Assets	<u>\$ 12,694,425</u>	<u>\$ 18,996,679</u>	<u>\$ 1,797,229</u>	<u>\$ (8,293,087)</u>	<u>\$ 25,195,246</u>
Liabilities	<u>\$ 9,641,896</u>	<u>\$ 10,673,377</u>	<u>\$ 515,209</u>	<u>\$ (3,064,658)</u>	<u>\$ 17,765,824</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2016 and 2015.

Geographical Information

The Company operates in two principal geographical areas - Asia and America. The Company's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location were detailed below:

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Asia	\$ 29,158,412	\$ 29,740,071	\$ 9,992,816	\$ 10,488,184
America	4,253,207	4,412,729	-	-
Europe	2,028,938	1,826,901	146,100	230,610
Australia and others	<u>2,887</u>	<u>1,750</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,443,444</u>	<u>\$ 35,981,451</u>	<u>\$ 10,138,916</u>	<u>\$ 10,718,794</u>

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

Major Customer

No individual customer accounted for at least 10% of consolidated revenue in 2016 and 2015.

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

7.1 Analysis of Financial Status

Unit : NTD\$ thousand

Item	Year	2015	2016	Difference	
				Amount	%
Current Assets		13,023,367	12,662,427	-360,940	-2.77%
Long-term Investment		6,411,230	5,841,696	-569,534	-8.88%
Fixed Assets		2,613,288	2,571,957	-41,331	-1.58%
Other Assets		3,147,361	3,241,218	93,857	2.98%
Total Assets		25,195,246	24,317,298	-877,948	-3.48%
Current Liabilities		12,093,772	10,808,606	-1,285,166	-10.63%
Long-term Liabilities		5,672,052	6,092,409	420,357	7.41%
Other Liabilities		17,765,824	16,901,015	-864,809	-4.87%
Total Liabilities		5,098,875	5,098,875	0	0.00%
Capital stock		673,456	673,456	0	0.00%
Capital surplus		1,682,466	1,806,942	124,476	7.40%
Retained Earnings		(28,857)	(166,380)	-137,523	476.57%
Total Stockholders' Equity		7,429,422	7,416,283	-13,139	-0.18%

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

1. The increase in other items pertaining to stockholders' rights were mostly due to the cumulative translation adjustments for IFRS – that is, the foreign exchange effects of financial statement adjustments for overseas operations.

7.2 Analysis of Operating Results

Unit : NTD\$ thousand

Item	Year	2015	2016	Difference	
				Amount	%
Net Sales		35,981,451	35,443,444	(538,007)	-1.50%
Cost of Sales		24,678,579	24,184,630	(493,949)	-2.00%
Gross Profit		11,302,872	11,258,814	(44,058)	-0.39%
Operating Expenses		10,492,405	10,433,994	(58,411)	-0.56%
Operating Income		810,467	824,820	14,353	1.77%
Non-operating Income and Expenses		54,638	67,543	12,905	23.62%
Income Before Tax		865,105	892,363	27,258	3.15%
Tax Benefit (Expense)		(194,620)	(216,343)	(21,723)	11.16%
Income After Tax		670,485	676,020	5,535	0.83%

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

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

Future response plans :

Given that it is a difficult year for global economic growth in 2016, though the declined in global trade has narrowed, it is still a recession. Under this severe environment, Trading consolidated sales still increased in 0.5% YOY. Especially for the agency business is the most shining star this year. The shipment amount has made record high with 38% growth YoY. Test-Rite focuses more on core customers’ relationship and development. By leveraging Test-Rite’s famous sourcing and supply chain management capability in Asia , Test-Rite made a strategic alliance agreement with the renowned American hardware importer - Hillman in June 2016. Simultaneously, Test-Rite will introduce new and unique products and global economic recovery grows, we expect these factors will create significant momentum to the principal trading business and extend agency business in future years. Taiwanese government had tightened up the housing policy since the central bank proposed a series of actions to the housing market in 2013 and implemented integrated house and land tax system in 2016. To some extent, the low transaction amount has suppressed the DIY and home décor demand from new house buyers. Furthermore, Taiwanese government implement five-day work week in 2017 and the residents remain hesitant for the domestic economy, these also lower the consumers’ demands to replace household items. In order to maintain the profitability and promote number of visitors, Test-Rite Group are aiming to expand E-commerce business and reinforce experiential marketing in physical stores for the synergy of Online to Offline to achieve the consumer experience as the core of the new business model. In China, we tend to more carefully review the profitability of each store and improve fundamental operations. By strengthening the development of private label products and closing those underperformed stores to improve the fundamental operation. By centralizing resource to improve the product to fulfill Chinese consumers increasing demand of improving living environment of home. In China, we will continue to expand E-commerce business , develop franchise model reinforce experiential marketing in physical stores for the synergy of Online to Offline to offer consumer most convenient way to consume.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit : NTD\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
1,903,406	2,466,549	399,158	2,302,564	N.A.	N.A.

1. Operating Activities: The net cash inflow from operating activities NTD 2,466,549 thousand, due to non cash expenses of NTD 965,000 thousand, and cash infow from financial assets at fair value through profit or loss, Net cash outflows such as increases in net cash inflows and other payables of financial assets, inventories and other operating assets, measured at fair value through profit or loss, resulted in a net cash inflow of approximately NT\$ 609,000 thousand.
2. Investment Activities: The net cash outflow from investing activities NTD 456,378 thousand, mainly due to increase in Capital expenditure included new stores opening (ext. Crete&Barrel located in TOP City Taichung store) 、 stores renovation and decrease in time deposit pledged, refundable deposits..etc.
3. Financing Activities: The Net cash outflow from financing activities NTD 1,570,110 thousand, mainly due to cash dividend payout and bank loan repayment.

7.3.2 Analysis of financial ratio change: Improvement plan for inadequate liquidity: Inadequate liquidity does not apply to the Company.

7.3.3 Cash Flow Analysis for the Coming Year

Unit : NTD\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
2,302,564	764,000	11,000	2,313,564	N.A.	N.A.
Analysis of cash flow changes for the coming year: 1. Operating activities: due to sustained growth in operating activities, cash inflow from operating activities has attained NTD764,000 thousand. 2. Investing and financing activities: cash outflow for investment and financing activities of NTD753,000 thousand resulted for the entire year; Investment Activities included new stores opening, stores renovation, set up new system, etc. Financing Activities included the planned cash dividend payout and increase in bank loan.					

7.4 Major Capital Expenditure Items : No.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans

The Company's long-term investment policy is in line with its operating and strategic development plans, and carefully planned investment activities are conducted and managed at home and abroad within acceptable risk tolerance. In addition to complying with government regulations, our operations and practices are conducted in accordance with the Company's established Guidelines for Managing Long- and Short-term Investment Operations and Guidelines for the Acquisition or Disposal of Assets in order to effectively manage, monitor and control the financial and operating status of our subsidiaries.

Unit: NT\$ thousands
Date: December 31, 2016

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Fortune Miles Co., Ltd.		941	Investment holding company	The annual official fees payment and loss recognized by equity method	NA
Test-Rite Star Co., Ltd.		38,148	Investment holding company	Loss recognized by equity method	Improving operational performance and establish tighter control on costs and expenses.
Test-Rite Investment (B.V.I.) Co., Ltd.		33,381	Investment in various industries	Loss recognized by equity method	Improve operational performance.
Test-Rite Retailing Co., Ltd.		3,484,41	Investment holding company	This was due mainly to the investment in the holding company of China Retail subsidiaries, the losses of which were recognized under the equity method. In China we undertake various actions to keep driving sales up, for example, we launch the franchise model with city partners, continue to invest in E-commerce, strengthen customer experience in physical stores and integrate merchandisers in China and Taiwan to respond the severe and challenge Market. Simultaneously, we tend to more carefully review the profitability of each store and improve fundamental operations. By strengthening the development of private label products and closing those underperformed stores to improve the fundamental operation and then HOLA CN is better evolving in long-term intrinsic value.	Continued implementation of weak and weak policy and establish tighter control on costs and expenses.
Test-Rite Trading Co., Ltd.		1,696,572	Investment holding company	This was due mainly to the investment in the holding company of China Trading subsidiaries, the losses of which were recognized under the equity method.	NA
Upmaster		311,736	Investment holding company	This was due mainly to the investment in the holding company of US Trading subsidiaries, the profit of which was recognized under the equity method.	NA
Test-Rite Pte. Ltd.		39,748	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Product (Hong Kong) Ltd.		4,222	Importation and exportation	Loss recognized by equity method	Establishing tighter control on costs and expenses.

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
	Test-Rite Int'l (Australia) Pty Ltd.	114,453	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
	Test-Rite Vietnam Co., Ltd.	29,175	Importation and exportation	Loss recognized by equity method	The company is performing liquidation process
	Test-Rite Canada Co., Ltd.	51,483	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
	Test-Rite (UK) Co., Ltd.	110,976	Importation and exportation	Profit recognized by equity method.	NA
	Test-Rite Development Co., Ltd.	930,222	Investment holding company	This was due mainly to the investment in the holding company of our European trading sub-subsidiary, the profit of which was recognized under the equity method.	NA
	Test-Rite Int'l (U.S.) Co., Ltd.	1,640,059	Importation and exportation	Profit recognized by equity method.	NA
	Lih Chiou Co., Ltd.	4,182,737	Investment holding company	Profit recognized by equity method	NA
	Lih Teh International Co., Ltd.	200,984	Logistics services	Profit recognized by equity method	NA
	Pro-quality Service Co., Ltd.	49,994	Management system verification and notarization service	Loss recognized by equity method	NA
	Fusion International Distribution, Inc.	30,721	Importation and exportation	Profit recognized by equity method	NA
	Chung Cin Enterprise Co., Ltd.	814,906	Shopping malls and property management, commissioned to build factories to build residential buildings	Profit recognized by equity method	NA
	International Art Enterprise Co., Ltd.	107,109	Trading of leisure goods	Profit recognized by equity method	NA
	Test-Rite Retail Co., Ltd.	4,955,542	Sale of house decoration hardware and construction materials	Profit recognized by equity method	NA
	Test-Rite Home Service Co., Ltd.	86,000	Interior design	Profit recognized by equity method	NA
	Hola Home furnishings Co., Ltd.	402	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
	Testrite Brand Agency Co., Ltd.	259,802	Sales of furniture, bedclothes, kitchen equipments and fixtures	Profit recognized by equity method	NA
	Test Rite C&B Co., Ltd.	209,794	Sales of furniture, bedclothes,	Loss recognized by equity method	Review and improve operational performance and

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
			kitchen equipments and fixtures		establishing tighter control on costs and expenses.
	Tony Construction Co., Ltd.	230,000	Build and civil engineering	Profit recognized by equity method	NA
	Test Cin M&E Engineering Co., Ltd.	80,000	Mechanical and electronic engineering	Profit recognized by equity method	NA
	Chung Cin Interior Design Construction Co., Ltd.	12,000	Interior design	Profit recognized by equity method	NA
	Viet Han Co., Ltd.	29,203	Importation and exportation	Profit recognized by equity method	NA

7.5.2 Investment plan in one year

(Unit : NT\$ thousand)

Item	Remarks	Investment amount	Policies	Investment reason
	Testrite Brand Agency Co., Ltd.	160,000	Retail	Increase working capital
	Test Rite C&B Co., Ltd.	12,000	Retail	Increase working capital

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest rate

Unit : NT\$ thousand

Item/Year	2015	2016
Ratio of liabilities to assets (%)	70.51	69.5
Interest Expense	216,533	229,381
Income before Tax	865,105	892,363
Ratio of Interest Expense to income before tax (%)	25.03	25.70

- (1) Losses that have impacted the company: the Company's interest expenses from loans for 2015 and 2016 were NTD216.533 million and NTD229,381 million, respectively. Interest expenses from loans were higher than in the previous year primarily due to an increase in long-term loans.
- (2) Future countermeasures: as the Company's primary business and reinvestment of profits are both in a healthy state, debts and loans will be paid off gradually, with loans needed for future operations on a decline and interest expenses abating accordingly. The Company will keep a close watch on market interest rate trends and adjust our financial structure appropriately to achieve an optimal allocation of capital and secure a lower cost of capital.

2. Foreign exchange rates

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

Unit : NT\$ thousand

Item/Year	2015	2016
Foreign exchange gain	156,526	368,318
Valuation loss of forward exchange agreement	(5,191)	(189,905)
Foreign exchange gain, (net)	151,335	178,413
Operating revenues	35,981,451	35,443,444
Income before income tax	865,105	892,363
Foreign exchange gain / Operating revenues (%)	0.42	0.50

(2)Future measurement: The Company is a professional trading company focusing predominantly on export trade. For the most recent fiscal year, our export revenue accounted for approximately 50% of total revenue. We place orders with suppliers as soon as we receive purchase orders from customers. In accordance with the Company's order and sales process, we have adopted a two-way quotation system to shorten the entire order management process and are able to provide quotations that reflect the latest foreign exchange rate trends. In addition, the Company pays close attention to changes of the global economic landscape and fluctuations of foreign exchange rates of major currencies. Our overseas subsidiaries also constantly provide us with local market news and conditions, thereby enabling us to make adjustments to our hedging approaches.

3. Inflation

Affected by rising costs of energy and raw materials, countries around the world are faced with the threat of inflation. Although inflation has very limited effect on the Company due to the nature of our industry, we will continue to observe its impact closely.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company is committed to the development of our primary business and does not engage in high-risk or highly-leveraged investment activities.

Any loans extended by the Company to third parties require approval by the Board and conducted in compliance with the Company's Procedure for Extending Loans to Third Parties. The Company provides guarantees to affiliated enterprises that it owns in excess of 50% in equity and to other enterprises with which it conducts business. The total amount of guarantees and guarantee provided to a single enterprise are well within the allowable limits. We have provided all guarantees in compliance with the Company's Procedure for Providing Guarantees, and they have received prior approval from or are recognized retroactively by the Board. These guarantees are not expected to have a major impact on the Company's financial position.

In addition, with respect to derivatives trading, the Company is an export-oriented trading firm; as such, we engage in hedging measures such as forward foreign exchange and foreign currency option contracts to hedge the risk of exchange rate fluctuations. As option contracts expire, even if the counterparties elect to exercise their contractual obligations, the Company shall conduct settlements with the foreign currency claims that have reached the expiration dates. The market price risk from exchange rate fluctuations and demand for cash in the future have no significant impact on the Company and our counterparties are reputable banks with excellent credit ratings. As a result, the likelihood of credit risk is limited. In addition, the procedure for conducting derivatives trading is compliant with the Company's Procedure for Trading Derivative Instruments, and the amount traded is also within the authorized limits. We also provide monthly reports in accordance with regulations and therefore no significant impact on the Company's financial position is expected.

7.6.3 Future Research & Development Projects and Corresponding Budget : None.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

As the Company exports mainly to the Americas and Europe, there have not been occurrences of major incidents regarding policy or legislative changes in foreign countries in recent years that have had a major impact on the Company's financial position or business operations.

The Company will continue to improve the access to and collection of business intelligence in our major overseas markets in order gain better control of our business operations and financial position. In addition, the Company's legal department is charged with the responsibility of monitoring major policy and legislative changes at home and abroad in order to be able to propose appropriate response measures for the Company in a timely manner.

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales:

The Company has established the B&S Link global electronic trading platform, which employs information technology to streamline supply chain management operations. In order to strengthen the partnerships between Test Rite Group, suppliers and banks as well as to improve the overall value of the supply chain and to create a win-win scenario for all parties involved, Test Rite Group are collaborating with a number of banks and the subsidiary B&S Link to offer a comprehensive, convenient and preferential online financing services program to our suppliers, fully integrating information flow, business flow and cash flow. With this platform, we have pioneered a brand new cross-sector cooperative business model. Thereby have greater financial resources to expand our business to grow, but also enables more suppliers all aspects of business development.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has a reputable corporate image and there has not been any changes that would require enterprise crisis management.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : The Company is a trading company and does not own any manufacturing plants following the sale of Tung Lung Metal, and we do not have any additional plans to invest in factories.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration : The Company does not have any issues associated with the consolidation of sales or purchasing operations.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% : The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or changes of shares.

7.6.11 Effects of, Risks Relating to and Response to Changes in Control over the Company : The structure of our principal shareholders is solid, and we have a strong professional management team. There is minimal risk that a change in control would cause damage to the Company.

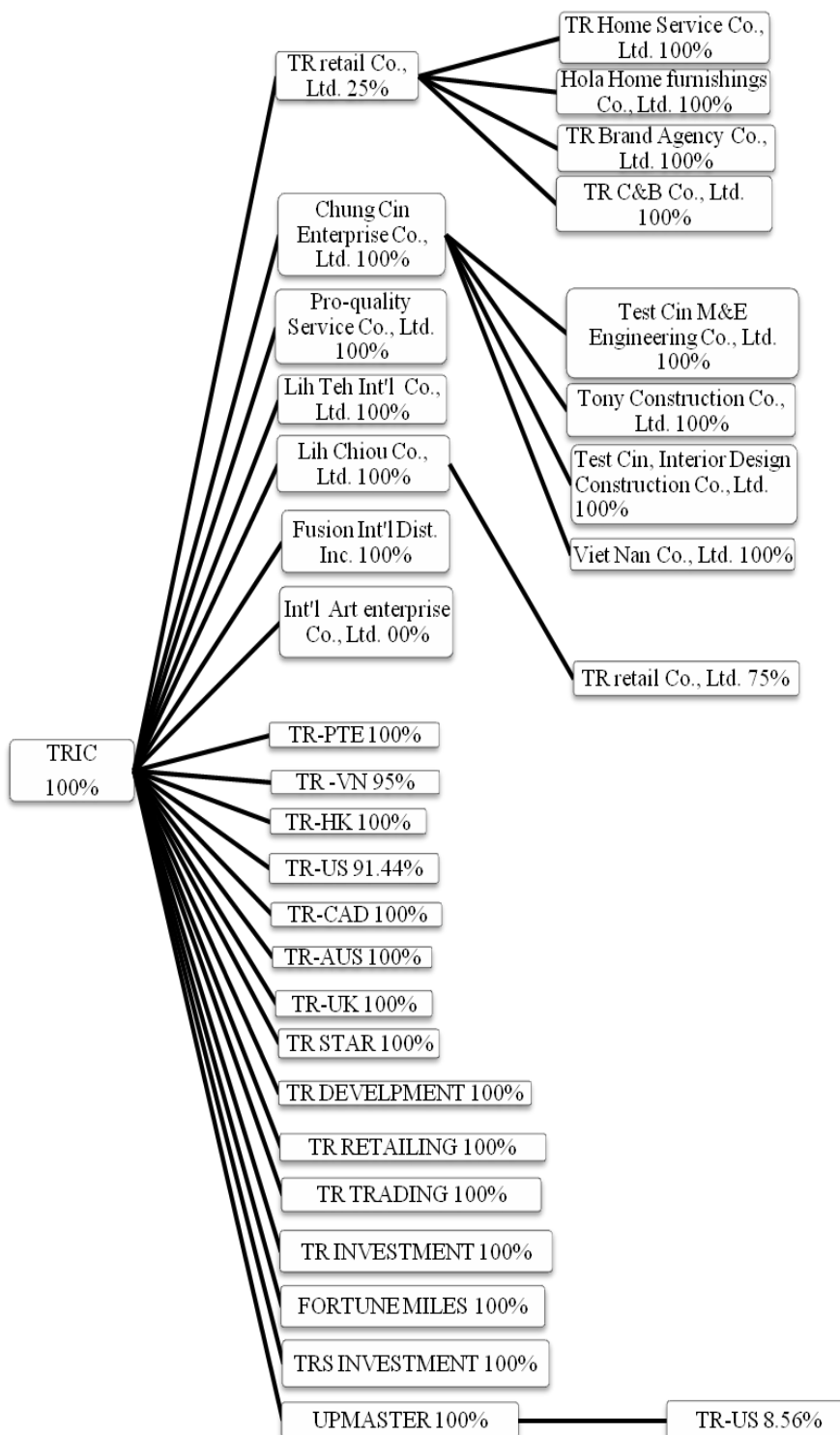
7.6.12 Litigation or Non-litigation Matters : None.

7.6.13 Other Major Risks : None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Investment Holding Structure



8.1.2 Affiliates' Profile :

Date: December 31, 2015

Name	Date of Incorporation	Address	Paid-up capital	Main business
Test Rite Retail Co., Ltd.	3/1/1995	1, 2, 5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 1,000,000,000	Sale of house decoration hardware and construction materials
Test Rite Home Service Co., Ltd.	6/23/2004	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 86,000,000	Interior design
Hola Home furnishings Co., Ltd.	9/30/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 600,000	Sales of furniture
Testrite Brand Agency Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 267,800,000	Sales of furniture
Test Rite C&B Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 210,000,000	Sales of furniture
Chung Cin Enterprise Co., Ltd.	5/23/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 867,000,000	Emporium and Property Management 、 Authorized builder to build dwelling, rental and sale of building
Test Cin M&E Engineering Co., Ltd.	9/8/1997	1F, No. 89, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 80,000,000	Mechanical and electronic engineering
Tony Construction Co., Ltd.	4/22/1992	1F, No. 89, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 230,000,000	Build and civil engineering
Chung Cin Interior Design Construction Co., Ltd.	7/31/2003	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 12,000,000	Interior design
Viet Han Co., Ltd.	2/14/2009	SJ 07 KP, Garden Plaza, Ton Dat Tien Street, Tan Phong Ward, District 7, HCMC	USD 1,000,000	Architectural design, construction supervision, business development, construction management, project management and real estate management.
Pro-quality Service Co., Ltd.	2/5/2001	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 50,000,000	Management system verification and notarization service
Lih Teh International Co., Ltd.	9/14/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 162,694,790	Logistics services
Lih Chiou Co., Ltd.	9/14/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 4,194,140,000	Investment holding company
Fusion International Distribution, Inc.	10/6/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 54,998,380	Importation and exportation
International Art Enterprise Co., Ltd.	10/17/1972	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 10,000,000	Trading of leisure goods

Test-Rite Pte. Ltd.	8/11/1989	260 Orchard Road, #12-08 The Heeren Singapore 238855	S\$ 2,100,000	Importation and exportation
Test-Rite Vietnam Co., Ltd.	3/23/2009	SJ-07, Garden Plaza 1, Ton Dat Tien Street, Tan Phong Ward, District 7, HCMC	US\$ 1,000,000	Importation and exportation
Test-Rite Product (Hong Kong) Ltd.	12/30/1980	Room 2502, 25/F., 148 Electric Road, North Point , Hong Kong	HK\$ 1,076,386	Importation and exportation
Test-Rite Int'l (U.S.) Co., Ltd.	6/25/1991	2711 Centerville Rd Ste 400, Wilmington, New Castle, State of Delaware	US\$ 52,878,800	Investment holding company
Test-Rite Canada Co., Ltd.	12/29/1999	110 Riviera Drive, Markham, Ontario L3R 5M1	CAD\$ 1,725,000	Importation and exportation
Test-Rite Int'l (Australia) Pty Ltd.	4/12/1990	Suite 3.01, 14 Lexington Dr, Bella Vista N.S.W., Australia	A\$ 3,550,000	Importation and exportation
Test-Rite (UK) Co., Ltd.	7/27/2010	125 London Wall London EC2Y 5AS	GBP\$ 775,930	Importation and exportation
TR DEVELOPMENT	1/25/2002	Merkurring 82, 22143 Hamburg, Germany	EURO\$ 23,670,000	Investment holding company
Test-Rite Star Co., Ltd.	4/17/2001	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 1,089,000	Investment holding company
TR INVESTMENT (B.V.I.)	10/1/1997	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 500,000	Investment in various industries
TR RETAILING	4/8/2003	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 108,831,000	Investment holding company
TR TRADING	10/23/2002	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 55,668,806	Investment holding company
FORTUNE MILES	9/21/2001	Trust Net Chambers, Lotemau Center, P.O.Box 1225, Apia,Samoa	US\$ 30,000	Investment holding company
UPMASTER	6/14/1996	Omar Hodge Buildng, Wickhaus Cay I, P. O. Box 362, Road Town, Tortola, British, Virgin Islands	US\$ 6,400,000	Investment holding company

8.1.3 Information of Affiliated Companies Director, Supervisor and President

Company Name	Title	Name or Representative	Share	%
Test-Rite Retail Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Tony Ho	0	0.00
	Director	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Robin Ho	0	0.00
		Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Sophia Tong	0	0.00
Lih Chiou Co., Ltd.		75,000,001	75.00	
Representative : Linda Lin		0	0.00	
Test-Rite Home Service Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Jason Chang	0	0.00
	Director	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Tony Ho	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Robin Ho	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Sophia Tong	0	0.00
Test-Rite Retail Co., Ltd.		8,600,000	100.00	
Representative : Linda Lin		0	0.00	
Hola Homefurnishings Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Kelly Ho	0	0.00
Supervisor	Test-Rite Retail Co., Ltd.	60,000	100.00	
	Representative : Linda Lin	0	0.00	
Testrite Brand Agency Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	26,780,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	26,780,000	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	26,780,000	100.00
		Representative : Kelly Ho	0	0.00
Supervisor	Test-Rite Retail Co., Ltd.	26,780,000	100.00	
	Representative : Linda Lin	0	0.00	

Test Rite C&B Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	21,000,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	21,000,000	100.00
		Representative : Judy Lee	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	21,000,000	100.00
		Representative : Kelly Ho	0	0.00
Chung Cin Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	86,700,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test Rite Int'l Co., Ltd.	86,700,000	100.00
		Representative : Judy Lee	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	86,700,000	100.00
		Representative : Sophia Tong	0	0.00
		Test Rite Int'l Co., Ltd.	86,700,000	100.00
		Representative : Agnes Shih	0	0.00
Supervisor	Test Rite Int'l Co., Ltd.	86,700,000	100.00	
	Representative : YC Hsieh	0	0.00	
Test Cin M&E Engineering Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd.	8,000,000	100.00
		Representative : YC Hsieh	0	0.00
	Director	Chung Cin Enterprise Co., Ltd.	8,000,000	100.00
		Representative : Robin Ho	0	0.00
	Supervisor	Chung Cin Enterprise Co., Ltd.	8,000,000	100.00
		Representative : Li Shan Lee	0	0.00
Tony Construction Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd.	23,000,000	100.00
		Representative : Anita Chiang	0	0.00
	Director	Chung Cin Enterprise Co., Ltd.	23,000,000	100.00
		Representative : Li Shan Lee	0	0.00
	Supervisor	Chung Cin Enterprise Co., Ltd.	23,000,000	100.00
		Representative : YC Hsieh	0	0.00
Chung Cin Interior Design Construction Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd.	1,200,000	100.00
		Representative : YC Hsieh	0	0.00
	Director	Chung Cin Enterprise Co., Ltd.	1,200,000	100.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Chung Cin Enterprise Co., Ltd.	1,200,000	100.00
		Representative : Li Shan Lee	0	0.00
Supervisor	Chung Cin Enterprise Co., Ltd.	1,200,000	100.00	
	Representative : Anita Chiang	0	0.00	
Viet Han Co., Ltd	Director	Chung Cin Enterprise Co., Ltd.	1,000,000	100.00
		Representative : YC Hsieh	0	0.00

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

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

8.1.4 Affiliates' Operating Highlights

As of 12/31/2016
(Unit: NT\$ thousands, except EPS (\$))

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test Rite Int'l Co., Ltd.	5,098,875	14,564,845	7,151,952	7,412,893	11,998,176	224,802	676,029	1.33
Test-Rite Retail Co., Ltd.	1,000,000	9,903,328	6,526,227	3,377,101	16,669,534	692,727	596,771	5.97
Test-Rite Home Service Co., Ltd.	86,000	223,880	137,231	86,649	708,627	20,609	20,567	2.39
Hola Home furnishings Co., Ltd.	600	233	0	233	0	(62)	(62)	(1.03)
Testrite Brand Agency Co., Ltd.	267,800	520,229	237,755	282,474	510,815	14,351	13,103	0.49
Test Rite C&B Co., Ltd.	210,000	378,546	263,528	115,018	178,167	(78,967)	(69,863)	(3.33)
Chung Cin Enterprise Co., Ltd.	867,000	1,655,651	325,359	1,330,292	738,497	79,511	120,013	1.38
Tony Construction Co., Ltd.	230,000	468,380	109,807	358,573	417,731	27,049	34,344	1.49
Test Cin M&E Engineering Co., Ltd.	80,000	177,782	33,672	144,110	193,172	27,788	27,912	3.49
Chung Cin Interior Design Construction Co., Ltd.	12,000	72,980	38,575	34,405	109,589	(563)	2,824	2.35
Viet Han Co, Ltd.	22,633	23,469	20	23,449	0	(706)	39	0.00
Pro-quality Service Co., Ltd.	50,000	50,425	25	50,400	0	(390)	(231)	(0.05)
Lih Teh International Co., Ltd.	162,695	247,494	7,263	240,231	193,397	51,990	47,426	2.92
Lih Chiou Co., Ltd.	4,194,140	4,817,045	7,210	4,809,835	0	(12,892)	443,419	1.06
Fusion International Distribution, Inc.	54,998	71,720	8,267	63,453	19,898	(877)	(1,158)	(0.21)
International Art Enterprise Co., Ltd.	10,000	72,835	24,714	48,121	291,718	8,098	5,336	5.34
Test-Rite Pte. Ltd.	41,342	51,320	3,579	47,741	44,302	4,767	(1,861)	(0.89)
Test-Rite Vietnam Co., Ltd.	27,449	5,238	3,263	1,975	0	(7)	(4)	(0.00)
Test-Rite Product (Hong Kong) Ltd.	4,167	37,784	503	37,281	4,796	(1,395)	(1,135)	(113.51)
Test-Rite Int'l (U.S.) Co., Ltd.	1,706,875	2,047,963	1,071,994	975,969	4,253,207	61,281	13,124	2481.85
Test-Rite Canada Co., Ltd.	37,746	2,679	128	2,551	0	(762)	(889)	(8894.39)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test-Rite Int'l (Australia) Pty Ltd.	82,885	11,503	8,162	3,341	2,887	(15,381)	(15,972)	(4.50)
Test-Rite (UK) Co., Ltd.	30,850	28,113	491	27,622	10,362	(66)	379	0.17
Test-Rite Development Co., Ltd.	807,400	1,711,470	979,390	732,080	2,009,581	33,152	76,814	3.25
Test-Rite Star Co., Ltd.	35,152	2,815	0	2,815	0	(66)	(66)	(0.06)
Test-Rite Investment (B.V.I.) Co., Ltd.	16,140	20,885	0	20,885	0	(370)	(869)	(1.74)
Test-Rite Retailing Co., Ltd.	3,512,956	2,194,855	2,291,919	(97,064)	4,229,700	(357,380)	(398,312)	(3.66)
Test-Rite Trading Co., Ltd.	1,796,933	472,051	272,818	199,233	969,098	21,301	9,820	0.18
Fortune Miles Co., Ltd.	968	888	0	888	0	(38)	(73)	(2.43)
Upmaster Int'l Co., Ltd.	206,586	106,189	0	106,189	0	(66)	1,454	0.23

8.1.5 Consolidated financial statements of affiliated enterprises

Statement of Declaration

For fiscal year 2016 (January 1 to December 31, 2016), the affiliated enterprises that should be incorporated into the Company's consolidated financial statements pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and those that should be incorporated similarly in accordance with Statement of International Financial Reporting Standards No. 10 are in fact the same companies, and the relevant information required to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the aforementioned consolidated financial statements of parent and subsidiaries. Therefore there is no need to prepare consolidated financial statements separately for the Company's affiliated enterprises. The above is hereby declared.

Test Rite International Co., Ltd.
Chairman : Judy Lee
March 24, 2017

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other Necessary Supplement: None.

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

IX. Any Events in 2016 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.