

Test Rite International Co., Ltd.

2011 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.

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Contents

I. Letter to Shareholders	1
II. Company Profile	
2.1 Date of Incorporation.....	3
2.2 Company History	3
III. Corporate Governance Report	
3.1 Organization.....	4
3.2 Directors, Supervisors and Management Team.....	7
3.3 Implementation of Corporate Governance	27
3.4 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders.....	40
3.5. Information Disclosing the Relationship between any of the Company's Top Ten Shareholders.....	42
3.6 Long-term Investment Ownership.....	43
IV. Capital Overview	
4.1 Capital and Shares.....	44
4.2 Employee Stock Options.....	52
4.3 Status of New Shares Issuance in Connection with Mergers and Acquisitions....	48
4.4 Financing Plans and Implementation.....	52
V. Operational Highlights	
5.1 Business Activities.....	53
5.2 Market and Sales Overview.....	68
5.3. Human Resources.....	72
5.4 Labor Relations.....	73
5.5 Important Contracts.....	75
VI. Financial Information	
6.1 Five-Year Financial Summary.....	76
6.2 Five-Year Financial Analysis.....	78
6.3 Supervisors' Report in the Most Recent Year.....	80
6.4 Consolidated Financial Statements for the Years Ended December 31, 2011 and 2010, and Independent Auditors' Report.....	81

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

7.1 Analysis of Financial Status.....138
7.2 Analysis of Operation Results.....139
7.3 Analysis of Cash Flow.....140
7.4 Major Capital Expenditure Items.....140
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses,
Improvement Plans and the Investment Plans for the Coming Year.....141
7.6 Analysis of Risk Management.....145

VIII. Special Disclosure

8.1 Summary of Affiliated Companies.....149
8.2 Private Placement Securities in the Most Recent Years.....154
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most
Recent Years..... 154

I.

Letter to Shareholders

Dear shareholders,

Our parent level revenue totaled NT\$ 13.3 bn in 2011, with year-over-year (YoY) growth accelerating to 15.3% vs. 8.3% YoY in 2010's 8.3%. After tax EPS increased by 25.7% to NT\$ 1.27 per share compared with NT\$ 1.01 per share in 2010. Our trading business continues to benefit from recovery of consumer demand, particularly in N. America, as shipment for the year increased 17.6% YoY to NT\$ 16.2 bn. This growth was driven by both principal trading and agency business. Principal trading, which provides customers with full range of service solutions including product sourcing, QA/QC management, and warehousing services, saw shipments increase of 15% YoY to NT\$ 12.9 bn. Our agency business saw even higher shipment growth, at 28.7% YoY to NT\$ 3.3 bn, in 2012. For the year, our agency business now accounts for 20.5% of our total shipments. In brand licensing agreements, Test-Rite had additional break throughs following the successful introduction of the Joyoung brands. In 2011, Test-Rite reached agreements with Umbra and Seventh Day to add to our existing portfolio of products.

Test-Rite Group's consolidated sales totaled NT\$ 35.9 bn, up 10% YoY. Earnings contribution from our Taiwan retail business totaled NT\$ 586 mn, up 22.9% YoY on the back of September grand opening of our first Décor House, a customer centric home furnishing center in Taoyuan. In addition, Hola China's sales continue to show strong growth momentum, up 21.1% YoY to RMB 774.7 mn. However, losses for Hola China increased 23.7% to NT\$ 257 mn as cost of operation in China, including labor and rental expenses, and VAT Tax, increased during the year. Our retail business currently operate 70 retail outlets in Greater China, including 23 DIY specialist TLW and 20 Hola stores in Taiwan and 27 Hola stores in China.

Below is the detail result of our operations in 2011, our 2012 business plan summary, and future business strategy. We have also highlighted possible impacts from external competition, changes in both government regulations and global macroeconomic environment.

1. Operating result for 2011

i. Operating result based on business plan for 2011:

(NT\$ mn)	2011A	2010A	YoY change by value	YoY change (%)
Net sales	13,273	11,514	1,759	15.3
COGS	10,782	9,281	1,501	16.2
Gross profit	2,491	2,233	258	11.6
Operating Expense	2,175	2,011	164	8.2
Operating profit	316	222	94	42.3
Non-op. profit/(loss)	355	395	(40)	(10.1)
Net profit before tax	671	617	54	8.8
Net profit after tax	636	487	149	30.6

ii. Analysis of balance sheet & profitability

Item		2011A	2010A	YoY change (%)
Balance sheet	Total liability/total asset	58.7%	56.5%	3.9
	Current ratio	269.9%	227.8%	18.5
Profitability	ROE	9.7%	7.9%	22.8
	Net margin	4.8%	4.2%	14.3
	EPS	1.27	1.01	25.7

2. 2012 business plan and future development strategy

1. Business plan and managerial principle:
 - A. Meticulously cultivate and depend relationship for existing clients for the trading business.
 - B. Leverage our innovative capabilities to provide differentiating products and improve full range of sourcing services.
 - C. Aggressively expand Agency Business.
 - D. Continue to integrate operations of trading and retail subsidiaries to enhance synergy.
2. Future development strategy:
 - A. Aggressively expand the scope and identify targets for Agency Business.
 - B. Integrate and develop emerging markets such as Southeast Asia and India.
 - C. Target growth opportunities in Taiwan and China's retail market through brand licensing and new store openings.

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

Faced with a rapidly changing competitive landscape, Test-Rite has leveraged its 30 years of experience in trading and continued to strengthen our product offering by developing Total Solution service for our trading business. These services encompass product and packaging design, logistics, and storage/warehousing capabilities that we believe is necessary to further strengthen or role within the supply to chain to global retail operators.

Taiwanese and Chinese authorities have adopted policies aimed at curbing the overheated real estate markets over the past 12-18 months. Other government policies such as luxury tax, increases in utility rates, and the potential enactment of capital gains tax may have an adverse impact on consumer expenditures. However, we remain focused on maintaining our growth momentum in the retail business and plans for addition 7 to 11 new store opening (3 in Taiwan and 4 to 8 in China) in 2012.

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

Sincerely yours,

Chairman
Judy Lee

CEO & President
Sophia Tong

II.**Company Profile**

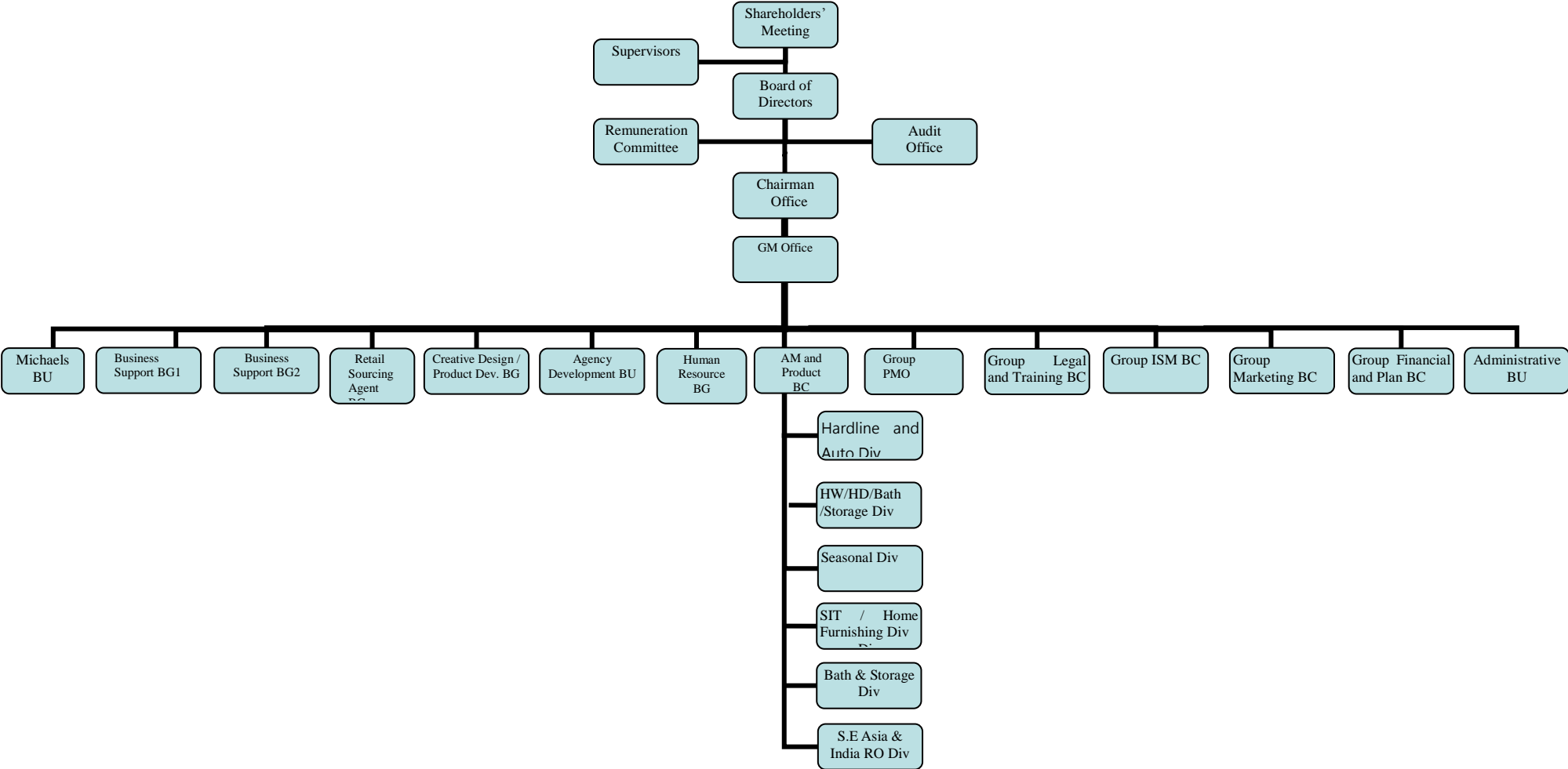
2.1 Date of Incorporation: August 10th, 1978

2.2 Company History

Year	Milestones
1978-91	Establishment and Growth
1988-00	“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.

III.
3.1 Organization
3.1.1 Organization Chart

Corporate Governance Report



3.1.2 Major Corporate Functions

Department	Functions
Chairman 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 projects
Trading GM Office	Responsible for evaluation/formulation of business strategy and other related matters of the company.
Audit Office	Responsible for internal audit functions; ensure the established internal control system is effectively carried out and implemented by the Company and its subsidiaries.
Administrative BU	General administration and services, and asset/equipment management.
Group Financial and Planning BC	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, the budgeting and investment planning matters of the Group.
Group Marketing BC	Media and customer relationship maintenance, planning and execution of marketing promotional activities.
Group ISM BC	Implementation and planning of computer hardware equipment for the Group and software planning, program design, and implementation for internal corporate applications
Group Legal and Training B.C	1.Management of corporate counsel, litigation; reviewing of contracts, trademark patents, legal affairs and regulatory compliance matters. 2.Education and training and staff development.
Group PMO	Strategy and project management, process management, and optimization of operations.
Human Resource BG	Planning and integration of human resource, planning and implementation of employee benefits, and coordination of labor relations.
AM and Product BC	Enhancing customer service, devoting more resources to customers to improve customer relationships and gain additional competitive advantage.
Hardline & Auto Div	Planning, development, design, procurement and sales of hand tools and household hardware products; providing customers with information and services
HW/HD/Bath/Storage Div	Planning, development, design, procurement and sales of household products and appliances; providing customers with information and services.
Seasonal Div	Planning, development, design, procurement and sales of seasonal products; providing customers with information and services
SIT / Home Furnishing Div	Planning, development, design, procurement and sales of stationery, gifts, indoor furniture and IT products; providing customers with information and services
Account Mgmt. Div	Customer relations management, SO relation management , risk management and new business development.

S.E. Asia & India RO Div	Development of new customers in Southeast Asia, expansion of international business in multinational markets, and increasing the global exposure of the Company
Agency Development BU	Promotion of agency business; providing customers with information and services
Creative Design / Product Dev. BG	Provide research and development designs, artwork, and marketing strategies for new products
Retail Sourcing Agent BG	Development and planning for retail markets in China; providing quality and timely customer services

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

As of April 20, 2012

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Ms. Judy Lee	98.06.16	3	72.07.04	28,385,529	5.99	36,050,614	7.10	42,682,905	8.41	0	0	President of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd. ; Director of Tong Long Metal Industry Co., Ltd. ; Department of Bank and Insurance/ Tamkang University	Note 1	Director	Tony Ho Robin Ho	Family Family
Director	Mr. Tony Ho	98.06.16	3	72.07.04	43,977,247	9.28	42,682,905	8.41	36,050,614	7.10	0	0	Chairman of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Department of Philosophy/Fujen Catholic University	Note 2	Director	Judy Lee Robin Ho	Family Family
Director	Mr. George Hsu	98.06.16	3	92.06.20	162,851	0.03	1,060,919	0.21	3,378	0.00	0	0	GM of the Asia-Pacific Region of Rockwell International Corp; Chief of staff of Acer Computer Co.,Ltd.; Naval Academy	Note 3-	-	-	-
Director	Ms. Robin Ho	99.06.15	2	99.06.15	643,431	0.13	761,431	0.15	0	0	0	0	AVP of Test Rite Int'l Co., Ltd.; MBA of Fujen Catholic University Graduate Institute of Management	Note 4	Director	Tony Ho Judy Lee	Family Family
Director	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	98.06.16	3	95.06.09	14,994,088 1,162,444	3.17 0.25	13,022,769 1,030,880	2.57 0.20	0	0	0	0	Director of ShiFu industry Co., Ltd.; Director of Tong Long Metal Industry Co., Ltd.; Commercial Senior High School	Note 5	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Li-Hsiung Co., Ltd. Representative: Mr. Huang, Chung-Hsing	98.06.16	3	98.06.16	14,994,088 0	3.17 0	13,022,769 0	2.57 0	0	0	0	0	Associate Dean of Business Administration College of National Taiwan University · CEO of EMBA of National Taiwan University · Director of school of Professional and Continuing Studies of National Taiwan University; Ph.D. Business Administration ,University of Texas at Austin	Note 6	-	-	-
Director	Li-Hsiung Co., Ltd. Representative: Mr. Huang, Hsin-Hsien	98.06.16	3	98.06.16	14,994,088 0	3.17 0	13,022,769 0	2.57 0	0	0	0	0	Director of Jian Yuan law firm; Director of Jinghua Society Cultural Foundation; Legal Advisor of Taipei City Police Department Juvenile Affair Division; BL, Soochow University	Note 7	-	-	-
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi	98.06.16	3	92.06.20	33,362,437 0	7.04 0	31,362,873 0	6.18 0	0	0	0	0	Partner and Director of BAKER TILLY CLOCK & CO · Research Assistant Treasury Tax Commission · Management activities committee chairman of Chinese Knowledge Association; Supervisor of National Association of Small & Medium enterprises R.O.C.; Supervisor of Association for Research & Development of Corporate Organization; Associate Professor of National Taipei University of Technology; Master of Financial Research, National Chengchi University	Note 8	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Liao, Hsueh-Hsing	98.06.16	3	92.06.20	33,362,437 0	7.04 0	31,362,873 0	6.18 0	0	0	0	0	Lawyer of Zhao Ming law firm; Director of Muguangwen Education Foundation; Director of Youngsun Culture & Education Foundation; Director of Chew Foundation; consultant of Yilan County Government.; BL, National Taiwan University	Note 9	-	-	-

Note 1 : Vice Chairman of Tong Lung Metal Industry Co., Ltd. ∙ Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Hola Homefurnishings Co., Ltd. ∙ Director of Homy Homefurnishings Co., Ltd. ∙ Director of Freer Inc. ∙ 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 B&S Link Co., Ltd. ∙ Chairman of Test Rite Business Development Corporation(China) Co., Ltd. ∙ Chairman of Jiashan Te-Cheng Wood Industrial 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 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 Master Design, Inc. ∙ Director of Compass Home, Inc. ∙ Director of Homezone International Corporation ∙ Director of LifeStyle Trends, LLC ∙ Director of Rollabind, LLC ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test Rite de Mexico, S.A. de C.V. ∙ Director of Test Rite PTE Ltd. ∙ Director of Test Rite Products Ltd.. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test Rite South American Co., Ltd. ∙ Director of Hwa Hong International Co., Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ Director of TRS Investment Company Limited ∙ Director of Fortune Miles Trading Inc.

Note 2 : Chairman of Tong Lung Metal Industry Co., Ltd. ∙ Chairman of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Chairman of Hola Homefurnishings Co., Ltd. ∙ Chairman of Homy Homefurnishings Co., Ltd. ∙ Chairman of Freer Inc. ∙ 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 B&S Link Co., Ltd. ∙ Director of Test Rite Int'l (U.S.) Co., Ltd. ∙ Director of Test Rite Products Corp. ∙ Director of Master Design, Inc. ∙ Director of Homezone International Corporation ∙ Director of LifeStyle Trends, LLC ∙ Director of Rollabind, LLC ∙ Director of Test Rite Int'l (Canada) Ltd. ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test Rite PTE Ltd. ∙ Director of Test Rite Products Ltd. ∙ Director of Test Rite Viet Nam Co., Ltd ∙ Director of Landia Home(HK) Limited ∙ Director of Perfect Group International Limited ∙ Director of TOPPIN(H.K.)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. ∙

Note3 : Director of Tong Lung Metal Industry Co., Ltd.

Note 4 : Director of Tong Lung Metal Industry Co., Ltd. ∙ Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Test Rite

Business Development Corporation (China) Co., Ltd. ∙ Director of Jiashan Te-Cheng Wood Industrial 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 Rollabind, LLC ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of Test Rite de Mexico, S.A. de C.V. ∙ Director of Test Rite International (Thailand) Ltd. ∙ Director of Citysource Inc. ∙ Director of Rui Feng International Co., Ltd. ∙ GM of Test-Rite International (U.S.)Co., Ltd.

Note 5 : Chairman of Up Master Investment Co., Ltd. ∙ Chairman of Li-Hsiung Co., Ltd. ∙ Chairperson of Property International Company Limited

Note 6 : The vice dean of college of management of NTU ∙ CEO of NTU EMBA ∙ Director of Extension Education Center of NTU ∙ Independent supervisor of Delta Electronics Inc. ∙ Independent director of ShareHope Medicine Inc.

Note 7 : Remuneration committee member of Test Rite Int'l ∙ Director of Jian Yuan law firm ∙ Director of Jinghua Society Cultural Foundation ∙ Legal Advisor of Taipei City Police Department Juvenile Affair Division

Note 8 : Partner and Director of BAKER TILLY CLOCK & CO. ∙ Supervisor of Tong Lung Metal Industry Co., Ltd. ∙ Supervisor of Test Rite Retail Co., Ltd. ∙ Supervisor of Test-Rite Home Service Co., Ltd.

Note 9 : Lawyer of Zhao Ming law firm ∙ Director of Muguangwen Education Foundation ∙ Director of Youngsun Culture & Education Foundation ∙ Director of Chew Foundation ∙ consultant of County G Yilan overnment.

Note 10 : The data is the total outstanding shares as of April 20th, 2012.

Major shareholders of the institutional shareholders

As of April 20, 2012

Name of institutional shareholders	Major shareholders of the institutional shareholders
Li-Hsiung Co., Ltd.	Quality Master Co., Ltd. 100%
Tsai-Chi Co., Ltd.	Quality Master Co., Ltd. 100%

Major shareholders of the major shareholders that are juridical persons

As of April 20, 2012

Name of juridical persons	Major shareholders of the juridical persons
Quality Master Co., Ltd.	Tony Ho 29% 、 Judy Lee 33% 、 Robin Ho 22% 、 Joyce Ho 10% 、 Kelly Ho 6%

Professional qualifications and independence analysis of directors and supervisors

As of April 20, 2012

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, 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			V					V		V		V	V	0
Mr. Tony Ho			V					V		V		V	V	0
Mr. George Hsu			V			V	V	V		V	V	V	V	0
Ms. Robin Ho			V			V				V		V	V	0
Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen			V			V	V			V	V	V		0
Li-Hsiung Co., Ltd. Representative: Mr. Huang, Chung-Hsing	V		V	V	V	V	V	V	V	V	V	V	V	2
Li-Hsiung Co., Ltd. Representative: Mr. Huang, Hsin-Hsien		V	V	V	V	V	V	V	V	V	V	V		0
Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi		V	V	V		V	V	V			V	V		0
Tsai-Chi Co., Ltd. Representative: Mr. Liao, Hsueh-Hsing		V	V	V	V	V	V	V	V		V	V		0

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's

spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

April 20, 2012

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Sophia Tong	3.23.2009	875,000	0.17%	0	0.00%	0	0.00%	GM of IBM Taiwan; BA, National Taiwan University	Note 1	—	—	—
VP	John Peng	9.1.1998	433,805	0.09%	977,073	0.19%	0	0.00%	Product manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 2	—	—	—
VP	Peter Dong	1.1.2003	192,895	0.04%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BC, Fujen Catholic University	—	—	—	—
VP	Alfred Chang	10.8.2005	367,567	0.07%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BA, National Cheng Kung University	—	—	—	—
VP	Hannis Chang	6.1.2006	335,154	0.07%	0	0.00%	0	0.00%	Senior finance manager of HannStar Display Corporation; MBA, National Taiwan University	Note 3	—	—	—
VP	Lawrence Wu	3.1.2007	75,351	0.01%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd.; Keelung Maritime Vocational High School	—	—	—	—
VP	Jane Peng	3.1.2008	30,000	0.01%	0	0.00%	0	0.00%	Chief Project Director of IBM Taiwan; MBA, University of Houston	—	—	—	—
VP	Gillian Joe	7.21.2008	10,000	0.00%	0	0.00%	0	0.00%	Managing consultant of IBM Taiwan; BS, Oklahoma City State University College	—	—	—	—
VP	Angeli Chan	7.21.2008	0	0.00%	0	0.00%	0	0.00%	MFA, California Institute of Fashion Design Business	—	—	—	—

VP	Bob Yueh	3.1.2009	13,053	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BS, Feng Chia University	—	—	—	—
VP	Edward Kao	3.1.2009	421,852	0.08%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, New Jersey Institute of Technology	—	—	—	—
VP	Paul Wang	3.1.2009	143,684	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Yudah Commercial High School	—	—	—	—
VP	Tracy Tsai	3.1.2009	133,138	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; BC, Chinese Culture University	—	—	—	—
VP	Marshall Cheng	3.11.2009	0	0.00%	0	0.00%	0	0.00%	MBA, State University of Southern California	—	—	—	—
VP	Robin Ho	5.1.2009	761,431	0.15%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, Fujen Catholic University	Note 4	VP	Kelly Ho	Family
VP	Spencer Lee	1.1.2010	0	0.00%	50,000	0.01%	0	0.00%	Senior manager of IBM Taiwan; BC of National Taiwan University	—	—	—	—
VP	James Lo	1.25.2010	0	0.00%	0	0.00%	0	0.00%	VP of Administration and Finance of Winbond Electronics(China); MBA, National Sun Yat-sen University	—	—	—	—
VP	CC Fan	6.10.2010	0	0.00%	0	0.00%	0	0.00%	Principal Consultant Of IBM Taiwan; MS, The University of North Alabama	—	—	—	—
VP	Kelly Ho	8.2.2010	401,243	0.08%	0	0.00%	0	0.00%	Chairman special assistant of Test Rite Int'l Co., Ltd.; MBA, Massachusetts Institute of Technology	Note 5	VP	Robin Ho	Family

VP	Lawrence Ger	9.21.2011	0	0.00%	0	0.00%	0	0.00%	Department of China Logistics and Distribution, Li & Fung Ltd./ General Manager Master, Department of International Business College of Management & Department of Electrical Engineering of National Taiwan University	—	—	—	—
VP	Jack Ueng	11.30.2011	231,739	0.05%	83,425	0.02%	0	0.00%	Vice president of B&S Link Co., Ltd. Master, University of Missouri	—	—	—	—
VP	Maggy Chen	12.5.2011	286,696	0.06%	143	0.00%	0	0.00%	Freer Inc. / General manager BS, Department of Business Management, Soochow University	—	—	—	—
AVP	Linda Lin	1.1.2003	442	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; Ming Chuan College	Note 6	—	—	—
AVP	Alex Yu	2.1.2005	37,401	0.01%	0	0.00%	0	0.00%	Manager of SAMPO Co., Ltd.; BS, Chung Yuan Christian University	—	—	—	—
AVP	Lancy Wu	5.1.2007	22,642	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; ; Taipei College	—	—	—	—
AVP	Shelley Chen	5.1.2007	661	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; ; Ming Chuan College	—	—	—	—
AVP	Monica Chen	6.15.2009	107,114	0.02%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; Shih Chien College	—	—	—	—

AVP	Jack Chang	4.1.2010	168,000	0.03%	0	0.00%	0	0.00%	Yuanta Research (H.K.) Ltd./Senior Analyst Babson College(MBA)	Note 7	—	—	—
AVP	Constance Chuang	4.15.2010	11	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; BA, Fujen Catholic University	—	—	—	—
AVP	Eric Chang	6.1.2010	0	0.00%	0	0.00%	0	0.00%	Senior manager of Test Rite Int'l Co., Ltd.; MBA, Tunghai University	—	—	—	—
AVP	Arthur Chen	10.18.2010	40,000	0.01%	10,000	0.00%	0	0.00%	Acer China / Director East China; MBA, George Washington University	—	—	—	—
AVP	Gino Chen	11.15.2010	0	0.00%	0	0.00%	0	0.00%	CEO of GINO International Marketing Co., Ltd.; MBA, HEC Paris	—	—	—	—
AVP	Austin Lin	8.11.2011	0	0.00%	0	0.00%	0	0.00%	FUJITSU TAIWAN Ltd./Senior manager BC, Department of Computer Science and Information Engineering, Chung Hua University	—	—	—	—
AVP	CY Lin	8.11.2011	0	0.00%	0	0.00%	0	0.00%	SYSTEX Corporation/ Director of Technology Master, Institute of Industrial Engineering, National Taiwan University	—	—	—	—
AVP	Gilbert Du	8.11.2011	0	0.00%	0	0.00%	0	0.00%	International Integrated Systems Inc./ Chief Engineer BC, Department of Computer Science and Information Engineering, Fu Jen Catholic University	—	—	—	—

AVP	Sky Yuan	12.2.2011	0	0.00%	0	0.00%	0	0.00%	B&S Link Co., Ltd. /Senior Manager Master, Department of Computer Science & Information Engineering, National Taiwan University	—	—	—	—
AVP	Mercy Chen	12.5.2011	0	0.00%	0	0.00%	0	0.00%	Carrefour Co., Ltd./ Application Manager BC, Department of Information Management, National Central University	—	—	—	—
AVP	Johnson Lee	12.6.2011	30,819	0.01%	0	0.00%	0	0.00%	B&S Link Co., Ltd./ AVP VBC, Technology and Science Institute of Northern Taiwan Department of Electronic Engineering	—	—	—	—

Note :

- 1 : Director and GM of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Director of Tong Lung Metal Industry Co., Ltd. ∙ Director of Chung Cin Enterprise Co., Ltd. ∙ Director of Test-Rite (UK) Ltd.
- 2 : Director of Test Rite Business Development Corporation(China) Co., Ltd. ∙ Director of Jiashan Te-Cheng Wood Industrial Co., Ltd. ∙ Director of B&S Link (Shanghai) Co., Ltd. ∙ Director of Energy Retailing Co., Ltd. ∙ Director 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..
- 3 : Director of Test Rite Retail Co., Ltd. ∙ Director of Test-Rite Home Service Co., Ltd. ∙ Supervisor of Hola Home furnishings Co., Ltd. ∙ supervisor of Homy Home furnishings Co., Ltd. ∙ supervisor of Freer Inc. ∙ supervisor of Chung Cin Enterprise Co., Ltd. ∙ supervisor of B&S Link Co., Ltd. ∙ supervisor of Lih Teh International Co., Ltd., ∙ supervisor of Lih Chiou Co., Ltd. ∙ supervisor of Fusion International Distribution Inc.
- 4 : Director of Test Rite Int'l Co., Ltd. ∙ director of Tong Lung Metal Industry Co., Ltd. ∙ director of Test Rite Retail Co., Ltd. ∙ director of Test-Rite Home Service Co., Ltd. ∙ director of B&S Link Co., Ltd. ∙ director of Test Rite Business Development Corporation (China) Co., Ltd. ∙ director of Jiashan Te-Cheng Wood Industrial 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 Rollabind, LLC ∙ Director of Test Rite Int'l (Australia) Pty. ∙ Director of Test-Rite (UK) Ltd. ∙ Director of CITYSOURCE INC. ∙ Director of Test Rite de Mexico, S.A. de C.V. ∙ Director of Test Rite International (Thailand) Ltd. ∙ Director of Rui Feng International Co., Ltd. ∙ GM of Test-Rite International (U.S.)Co., Ltd.
- 5 : Director of Test Rite Retail Co., Ltd. ∙ Director of Hola Homefurnishings Co., Ltd. ∙ Director of Homy Homefurnishings Co., Ltd. ∙ Director of Freer Inc ∙ Director of Test Rite Business Development Corporation (China) Co., Ltd. ∙ director of Jiashan Te-Cheng Wood Industrial 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.

6 : Director of Lih Chiou Co., Ltd. 、director of FUSION INTERNATIONAL DISTRIBUTION, INC.

7 : Director of Lih Teh International Co., Ltd.

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

Remuneration of Directors

As of Dec. 31, 2011 : Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary			
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)							Exercisable Employee Stock Options (H)		
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements				
Chairman	Ms. Judy Lee	13	13,700	0	0	8,942	9,522	360	1,041	3.62%	2.98%	14,351	42,966	428	428	5,500	0	5,957	0	0	0	6.80%	9.05%	0	
Director	Mr. Tony Ho																								
Director	Mr. George Hsu																								
Director	Ms. Robin Ho																								
Director	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen																								
Director	Li-Hsiung Co., Ltd. Representative: Mr. Huang, Chung-Hsing																								
Director	Li-Hsiung Co., Ltd. Representative: Mr. Huang, Hsin-Hsien																								

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Mr. George Hsu 、 Ms. Robin Ho	Mr. George Hsu 、 Ms. Robin Ho 、	Mr. George Hsu 、	Mr. George Hsu 、
NT\$2,000,000 ~ NT\$5,000,000	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen and Mr. Huang, Chung-Hsing and Mr. Huang Hsin-Hsien	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen and Mr. Huang, Chung-Hsing and Mr. Huang Hsin-Hsien	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen and Mr. Huang, Chung-Hsing and Mr. Huang Hsin-Hsien, Ms. Robin Ho	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen and Mr. Huang, Chung-Hsing and Mr. Huang Hsin-Hsien
NT\$5,000,000 ~ NT\$10,000,000	Mr. Tony Ho 、 Ms. Judy Lee	Mr. Tony Ho 、 Ms. Judy Lee	0	Ms. Robin Ho
NT\$10,000,000 ~ NT\$15,000,000	0	0	0	0
NT\$15,000,000 ~ NT\$30,000,000	0	0	Mr. Tony Ho 、 Ms. Judy Lee	Ms. Judy Lee
NT\$30,000,000 ~ NT\$50,000,000	0	0	0	Mr. Tony Ho
NT\$50,000,000 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	7	7	7	7

Remuneration of Supervisors

As of Dec. 31, 2011; Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of total remuneration (A+B+C) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary
		Base Compensation(A)		Bonus to Supervisors(B)		Allowances(C)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi	0	1,000	2,047	2,428	114	275	0.34%	0.46%	0
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Liao, Hsueh-Hsing									

Bracket	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	0	0
NT\$2,000,000 ~ NT\$5,000,000	Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi · Mr. Liao, Hsueh-Hsing	Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi · Mr. Liao, Hsueh-Hsing
NT\$5,000,000 ~ NT\$10,000,000	0	0
NT\$10,000,000 ~ NT\$15,000,000	0	0
NT\$15,000,000 ~ NT\$30,000,000	0	0
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	2	2

Compensation of President and Vice President

As of Dec. 31, 2011; Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock					
President	Sophia Tong	97,375	125,240	2,741	2,741	10,753	10,753	19,348	0	19,805	0	20.47	19.50	0	0	0
GM of Strategy & Development Center	Tony Ho															
GM of Business Relations and Development Center	Judy Lee															
VP	John Peng															
VP	Peter Dong															
VP	Alfred Chang															
VP	Hannis Chang															
VP	Lawrence Wu															
VP	Jane Peng															
VP	Gillian Joe															
VP	Angeli Chan															
VP	Bob Yueh															
VP	Tracy Tsai															

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Lawrence Wu 、 Yuen Lee 、 Winnie Teng	Lawrence Wu 、 Yuen Lee 、 Winnie Teng
NT\$2,000,000 ~ NT\$5,000,000	Peter Dong 、 John Peng 、 Bob Yueh 、 Tracy Tsai 、 Paul Wang 、 Robin Ho 、 Kelly Ho 、 Alfred Chang 、 James Lo 、 Spencer Lee 、 CC Fan 、 Gillian Joe 、 Angeli Chan 、 Hannis Chang 、 Marshall Cheng 、 Terrance Yang 、 James Pong 、 Lawrence Ger 、 Maggy Chen 、 Edward Kao	Peter Dong 、 John Peng 、 Bob Yueh 、 Tracy Tsai 、 Paul Wang 、 Robin Ho 、 Kelly Ho 、 Alfred Chang 、 James Lo 、 Spencer Lee 、 CC Fan 、 Gillian Joe 、 Angeli Chan 、 Hannis Chang 、 Marshall Cheng 、 Terrance Yang 、 James Pong 、 Lawrence Ger 、 Maggy Chen 、 Edward Kao
NT\$5,000,000 ~ NT\$10,000,000	Tony Ho 、 Judy Lee 、 Sophia Tong 、 Jack Ueng 、 Jane Peng 、 Eva Ho	Sophia Tong 、 Jack Ueng 、 Jane Peng 、 Eva Ho 、 Robin Ho
NT\$10,000,000 ~ NT\$15,000,000	0	Judy Lee
NT\$15,000,000 ~ NT\$30,000,000	0	Tony Ho
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	28	28

As of Dec. 31, 2011; Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Sophia Tong	0	21,868,377	21,868,377	3.44%
	GM of Strategy & Development Center	Tony Ho				
	GM of of Business Relations and Development Center	Judy Lee				
	VP	John Peng				
	VP	Peter Dong				
	VP	Alfred Chang				
	VP	Hannis Chang				
	VP	Lawrence Wu				
	VP	Jane Peng				
	VP	Gillian Joe				
	VP	Angeli Chan				
	VP	Bob Yueh				
	VP	Tracy Tsai				
	VP	Edward Kao				
	VP	Paul Wang				
	VP	Marshall Cheng				
	VP	Eva Ho				
	VP	Spencer Lee				
	VP	James Lo				
	VP	Robin Ho				
	VP	CC Fan				
	VP	Kelly Ho				
	VP	Lawrence Ger*				
	VP	Jack Ueng*				
	VP	Maggy Chen*				
	VP	Terrance Yang *				
	VP	Winnie Teng*				
	VP	James Pong *				
	VP	Yuen Lee*				
	AVP	Linda Lin				
	AVP	Alex Yu				
	AVP	Lancy Wu				
	AVP	Shelly Chen				
AVP	Monica Chen					
AVP	Jack Chang					
AVP	Constance Chuang					
AVP	Eric Chang					
AVP	Arthur Chen					
AVP	Gino Chen					
AVP	CY Lin*					
AVP	Austin Lin*					
AVP	Gilbert Du*					

	AVP	Andy Cheng*				
	AVP	Sky Yuan*				
	AVP	Mercy Chen*				
	AVP	Johnson Lee*				
	AVP	Joseph Wang*				
	AVP	Frank JF Chang*				
	AVP	Vanessa Chien *				

* Lawrence Ger joined in Sept. 2011; Jack Ueng and Yuen Lee joined in Nov. 2011; Maggy Chen joined in Dec. 2011; CY Lin, Austin Linand and Gilbert Du joined in Aug., 2011; Andy Cheng, Sky Yuan, Mercy Chen, Johnson Lee, Joseph Wang joined in Dec., 2011

* Terrance Yang resigned in Jan, 2011; Winnie Teng resigned in May, 2011; James Pong resigned in Sept., 2011; Yuen Lee resigned in Dec, 2011; Vanessa Chien resigned in Jan, 2011; Frank JF Chang resigned in May, 2011.

3.2.4 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

A. 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	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) - Companies in the consolidated financial statements
	2010	2011
Directors	10.28%	9.05%
Supervisors	0.80%	0.46%
Presidents and vice presidents	23.22%	19.50%

B. 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; Earnings distribution rewards are determined based on the provisions of the Articles of Incorporation of the Company and of the Group under consolidated financial statements, and are drafted by the Board of Directors and submitted to the shareholders' meeting for approval; Remuneration to President and vice presidents includes salary and employee bonuses, which are determined by the level of responsibilities of the positions and performance as well as based on industry standards that apply to similar positions.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of eleven meetings of the board of directors were held in the previous period. Director and supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Ms. Judy Lee	11	0	100.0%	
Director	Mr. Tony Ho	6	4	54.5%	
Director	Mr. George Hsu	10	0	90.9%	
Director	Ms. Robin Ho	6	5	54.5%	
Director	Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	10	1	90.9%	
Director	Li-Hsiung Co., Ltd. Representative: Mr. Huang, Chung-Hsing	7	1	63.6%	
Director	Li-Hsiung Co., Ltd. Representative: Mr. Huang, Hsin-Hsien	10	0	90.9%	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi	11	0	100.00%	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Liao, Hsueh-Hsing	8	0	72.7%	

Other notable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified : None
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified :
 - 2.1 All the attended directors, excluding Ms. Judy Lee, the chairman, director of Mr. Tony Ho and Ms. Robin Ho, who abstained to avoid conflicts of interest, voted to approve all cases on April 28th, 2011
 - 2.2 All the attended directors excluding managers (GM of Business Relations and Development Center, Ms. Judy Lee, GM of Strategy & Development Center, Mr. Tony Ho and VP Ms. Robin Ho) for the non-competition restriction to avoid conflicts of interest have no objection to all cases on April 28th, 2011.
 - 2.3 All the attended directors excluding the related directors of Tsai Wang Enterprise Company Limited (Ms. Judy Lee, the chairman, director of Ms. Lee, Ai-Chen and Mr. Huang Hsin-Hsien) agree to resigned the lease contract with Tsai Wang Enterprise Company Limited on Nov.11th, 2011
 - 2.4 All the attended directors excluding Mr. Huang Hsin-Hsien as one of the nominated member of Remuneration Committee passed the case of appointing members of Remuneration Committee on Dec. 21st, 2011,
3. Measures taken to strengthen the functionality of the Board : The Board of Directors has established an Audit Committee and a Compensation Committee to assist the Board in carrying out its various duties.

3.3.2 Attendance of Supervisors for Board Meetings

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

Title	Name	Attendance in Person(B)	Attendance rate (%) 【 B / A 】	Remarks
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Lai, Yung-Chi	11	100.0%	
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Liao, Hsueh-Hsing	8	72.7%	

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

- 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.
- Communications with the CPA : Supervisors communicate and confirm the review of business reports, earning distribution statements, and the results of annual audit reports with accountants; clear and effective communication is maintained.

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

3.3.3 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
<p>1.Shareholding Structure & Shareholders’ Rights</p> <p>(1)Method of handling shareholder suggestions or complaints</p> <p>(2)The Company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders</p> <p>(3)Risk management mechanism and “firewall” between the Company and its affiliates</p>	<p>(1)The Company has a spokesman and deputy spokesman, and has set up a mailbox dedicated to investors to handle investor-related issues.</p> <p>(2)The Company has a dedicated team responsible for carrying out shareholder services, and has appointed the shareholder services agent of 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.</p> <p>(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.</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>2.Composition and Responsibilities of the Board of Directors</p> <p>(1)Independent Directors</p> <p>(2)Regular evaluation of CPAs’ independence</p>	<p>(1)The Company does not currently have independent directors</p> <p>(2)Assessment is conducted annually</p>	<p>(1) The Company does not have independent directors currently, but does conduct a thorough assessment yearly and will appoint independent directors based on actual requirements or if required by law.</p> <p>(2)Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>3.Communication channel with stakeholders</p>	<p>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 communication with stakeholders</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>
<p>4.Information Disclosure</p> <p>(1)Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status</p>	<p>(1) We take proper care of our employees based on the Company’s principles of integrity and good faith, and we 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</p>	<p>Our guidelines are consistent with those specified in Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies</p>

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
(2)Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	accordance with the Company's internal regulations and management guidelines. The Company's website (www.testritgroup.com), has been established for the purpose of disclosing relevant information about the Company. Investors may also consult the official Market Observation Post System (MOPS) set up by the competent authority at http://mops.twse.com.tw. (2)In addition to a website with information written in Chinese, the Company has also established an English version of the website; the Company also disclosed information on the MOPS website in accordance with regulatory requirements, appointed a spokesperson, and completed various reporting requirements. Searchable excerpts of briefings of institutional investor conferences are available at the corporate website.	
5.Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Company has established the Remuneration Committee on Dec.21 st , 2011 and has appointed the first members of the committee.	The Company has established the Remuneration Committee. Other functional committees shall be established as needed in accordance with business or regulatory requirements
6. If the Company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation : The company has not established the Corporate Governance Best-Practice Principles .The Company's corporate governance best-practice principles are currently being developed; however, the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies shall be adopted as the basis for the Company's corporate governance practices.		
7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors): 1 ∖ employee rights : The Company takes proper care of employees based on the Company's principles of integrity and good faith and abides by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of employees and provide equal employment opportunities; The Employee Welfare Committee established by the Company has implemented an employee pension system, offers employee group insurance, and organizes various training courses for employees, etc. 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 to employees in order to resolve employee parking issues. With respect to emergency assistance, in addition to providing employees with protection through group insurance, the Company's responsible person shall also take the initiative to call for voluntary contributions from employees to render assistance to fellow employees in the event of major emergencies.		

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons				
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 fulfill our corporate responsibility to shareholders.					
4	supplier relations and rights of stakeholders : The Company's business philosophy lies in achieving success together with our suppliers. We have always maintained a positive and healthy relationship with each supplier and requests made to both vendors and stakeholders have been reasonable. We always offer the opportunity for communication and respect the legitimate rights and interests of all parties involved.					
5	directors' and supervisors' training records :					
	Title	Name	Study Date	Sponsoring Organization	Course	Training hours
Director	Huang, Chung-Hsing	6.21.2011		Securities & Futures Institute	International Financial Reporting Standard (IFRS)	3
Director	Huang, Hsin-Hsien	6.10.2011		Corporate Governance Association	How to use financial analysis to do the key decisions.	3
		7.22.2011		Corporate Governance Association	The practical development and operation of the two major functional committee of the Board of Directors.	3
		7.28.2011		Securities & Futures Institute	2011 Orientation on regulations governing internal transfer of shares	3
		7.29.2011		Corporate Governance Association	Remuneration policy and performance evaluation.	3
		11.24.2011		Financial Supervisory Commission	The 7 th Corporate governance forum	6
Supervisor	Lai, Yung-Chi	11.24.2011		Financial Supervisory Commission	The 7 th Corporate governance forum	6
6	Implementation of risk management policies and risk measurement standards: The Company's internal control, risk management system and essential management regulations and guidelines are subject to approval by the Board of Directors. For the status of implementation of other relevant risk management policies and risk measurement standards, please refer to the "Risk Management" section of this Annual Report.					
7	Customer policy implementation: The Company adheres to the provisions of the contracts entered into with customers and is committed to protecting their rights and to providing good service quality.					
8	Insurance coverage purchased by the Company on liability of directors and supervisors: The Company has purchased liability insurance coverage for directors and supervisors.					
8. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: In the annual internal control self-evaluation operation conducted by the Company, no material deficiencies requiring rectification or improvement have been found.						

3.3.4 Composition, Responsibilities and Operations of Remuneration Committee :

Composition	The Company set its remuneration committee charter at the Board of Directors meeting on August 16th, 2011, and on December 21st, 2011 the Board of Directors voted to set up the first Remuneration Committee, for which it appointed three remuneration committee members: Ding Hong-Xun, Liu Ting-Yang, and Huang Xin-Xian. Ding Hong-Xun was jointly nominated as the convener and chairman of the meetings.
Responsibilities	<p>The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors. However, recommendations in connection with remuneration for supervisors may be submitted for deliberation by the board of directors only to the extent that the board of directors is authorized expressly by the company's articles of incorporation or by a resolution of the shareholders meeting to handle supervisor remuneration:</p> <ol style="list-style-type: none"> 1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. 2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers. <p>When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:</p> <ol style="list-style-type: none"> 2.1 With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure. 2.2 It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate. 2.3 It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration. <p>"Remuneration" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership.</p>
Operations	The Remuneration Committee has held two meetings since the founded date to the annual report published date.

3.3.5 Social Responsibility

Item	Implementation Status	Deviations from "Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
<p>1. Implementing corporate governance practices</p> <p>(1) The Company establishes corporate social responsibility policies or systems to review the effectiveness of the implementation.</p> <p>(2) Status of the Company's dedicated (or participating) unit on the promotion of corporate social responsibility.</p> <p>(3) The status of the Company's practice of organizing regular training sessions and awareness programs on business ethics for directors, supervisors and employees, and establishing a clear and effective incentive and disciplinary system by integrating the results of the training with employee performance appraisal:</p>	<p>(1) The Company's corporate social responsibility policies or rules are currently being formulated.</p> <p>(2) The Company's dedicated (or participating) unit on the promotion of corporate social responsibility practices: Human Resources Division and Public Relations Division will continue their commitment to carrying out corporate social responsibility practices.</p> <p>(3) The Company organizes education and training programs as well as awareness initiatives on a regular basis. Currently we have implemented a clear and effective incentive and disciplinary system by integrating the results of the training with employee performance appraisal.</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) The Company's commitment to improving the efficiency of the utilization of various resources and to the use of renewable materials that have a lower impact on the environment.</p> <p>(2) The Company's practice on the establishment of an appropriate environment management system in accordance with the nature and characteristics of the industry to which it belongs.</p> <p>(3) The status of a dedicated environment management unit or personnel established to maintain and protect the environment.</p> <p>(4) The status of the Company's awareness of the effects of climate change on business activities and the development of corporate strategy on the reduction of carbon emissions and greenhouse gases.</p>	<p>(1)(2) The Company's main products and services revolve around international trade. The Company is not engaged in actual manufacturing. However, we require that the manufacturing processes of our suppliers comply with the environmental standards and requirements of our customers in European and North America.</p> <p>(3) The Company's general administration unit is the dedicated department responsible for environmental management.</p> <p>(4) Climate change has become an important issue to enterprises. The Company has implemented policies on conservation of energy and the reduction of carbon emissions and greenhouse gases. Examples are recycling, temperature control for air-conditioning, use of energy-saving light fixtures as well as adoption of water-conserving faucets.</p>	<p>Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>3. Promoting social welfare</p> <p>(1) The Company's status on the compliance with relevant labor laws, the protection of the legitimate interests of employees, and the establishment of appropriate management practices and procedures.</p>	<p>(1) We take proper care of our employees based on the Company's principles of integrity and good faith, and we abide by the Labor Standards Act promulgated by the government to protect the legitimate rights and</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
<p>(2) The Company's practices in providing employees with a safe and healthy working environment and in implementing training on safety and health for employees on a regular basis.</p> <p>(3) Status of the Company's development and announcement of its consumer protection policy, and on the transparency and effectiveness of its customer grievance procedures with respect to the products and services that the Company provides.</p> <p>(4) The Company's cooperation and joint efforts with suppliers to improve their corporate social responsibility.</p> <p>(5) How the Company engages in the donations of commodities, enterprise volunteer services or the provision of other free professional services, participation in community development and in the work of charities through its commercial activities.</p>	<p>interests of our employees, which are carried out in accordance with the Company's internal regulations and management guidelines.</p> <p>(2) The Company endeavors to provide employees with a safe and healthy working environment and arrange for employees to participate in annual medical checkups. In addition, the Company has engaged the Employee Assistance and Services Center and professional consultants to provide the staff with specialized psychological counseling, adjustment to work, sleep disorder counseling and related services. The Company also organizes health workshops and provides health education information from time to time to enable the staff to take better control of their health.</p> <p>(3) Consumer rights: The Company has established dedicated personnel and an e-mail address to handle customer complaints and other issues related to consumer rights.</p> <p>(4) The Company shall carry out joint efforts with suppliers in the future to improve their corporate social responsibility.</p> <p>(5) The Company is actively involved in community activities and charities with its Test Rite Happy Community project Sponsorship of Formosa Charity Group; Members of the Company's staff are involved with activities such as traveling to schools in remote towns and villages as volunteers, donating books, and participating in charity bazaars and providing donations to the Chinese Christian Relief Association's project, "After School Reading Program for Children of Disadvantaged Families."</p>	
<p>4. Enhancing information disclosure</p> <p>(1) The manner in which the Company discloses information related to corporate social responsibility that concerns relevance and reliability.</p> <p>(2) The status of the Company compiling the Corporate Social Responsibility Report and disclosing its work</p>	<p>(1)(2) The Company has not yet drafted the Corporate Social Responsibility Report, but will do so depending on practical needs in the future and to enhance disclosure of the Company's practices of corporate social responsibility.</p>	<p>The Company has not yet drafted the Corporate Social Responsibility Report, but will do so depending on practical needs in the future.</p>

Item	Implementation Status	Deviations from "Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
on the promotion of corporate social responsibility.		
5. If the Company has established its own corporate social responsibility codes of conduct based on "Corporate social responsibility codes of practice of listed companies," describe its operations and discrepancies with the standards:	The Company's Code of Practice for Corporate Social Responsibility and associated guidelines are currently being formulated.	
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) The Company of trading business unit is engaged only in international trade without any involvement in manufacturing, but we require that the manufacturing processes of our suppliers be compliant with the environmental standards and requirements of our customers in European and North America. The retailing business TLW has won the "Green Marketing Award" for 4 years running from the Environmental Protection Administration. (TLW has 23 retail locations across Taiwan and is the only mega-store to have passed the "Green Store" certification island-wide; Ministry of Economic Affairs presented TLW with "Voluntary Energy Conservation Award" in 2010. Taipei City Government awards "Energy Conservation Products Promotion Award" every year). (2) Community involvement, social contributions, social services, social welfare, human rights, security, health and other social responsibility activities: Test Rite Group expresses concern for the community, participates in activities benefiting the society and devotes efforts in practicing corporate social responsibility, such as the Test Rite Happy Community project; Sponsorship of Formosa Charity Group; Sponsorship and support of the sport of archery in Taiwan; Support Chung-Yu Foundation of public car washing activities; Support Men-Nuo Foundation of simple repair volunteer services; Donation to Fu Jen Catholic University of campus outdoor learning platform; Joined the Friends of the Flower Expo to build Taiwan's international image; Donating NT\$10 million material to assist the reconstruction in disaster of Typhoon Morakot (August 2009); Participated in the Japan 311 flood donations to express the care for tsunami victims; Continuously held The Group's Volunteer Day of 2011, "Let Love Guide Us in Moving Forward," and 2012 "The Unlimited Love of Test Rite", company organized charity bazaars and donations to the Chinese Christian Relief Association's project, "After School Reading Program for Children of Disadvantaged Families," which helps children in desperate need of education and family support; Members of the Company's staff are involved with activities such as traveling to schools in remote towns and villages as volunteers and donating books. Participated in World Vision Taiwan, the 23rd "Hunger 12" experience, company hope to raise community donations to help emergency needs of families in Taiwan, and to bring hope of survival to poor children, AIDS orphans and war children in the world.		
7. Provide description for any of the Company's products or corporate social responsibility reports that have received certifications from relevant accreditation bodies:	The Company has received certification for ISO9001: 2008 Quality Management System.	

3.3.6 Corporate Governance Guidelines and Regulations : The company established a set of operational procedures for significant information and disclosed in the company's website and internal document system. The company also provides relevant laws and advocacy for new directors, supervisors and managers when they are on board.

3.3.7 Other Important Information Regarding Corporate Governance :

Managers' training records :

Title	Name	Study Date	Sponsoring Organization	Course	Training hours
Accounting AVP	Linda Lin	10/3/2011-10/4/2011	Accounting Research and Development Foundation in Taiwan	Accounting manager training course of securities of issue providers of TWSE.	12
Auditing AVP	Lancy Wu	3/21/2011	the Institute of Internal Auditors	Essential management thinking of the business operations - Risk management and business continuity.	3
		3/31/2011	Securities & Futures Institute	Audit Committee Practice Seminar	2
		4/01/2011	Association for Research & Development of Corporate Organization	Impact of enforcing set up the Remuneration Committee.	2
		4/11/2011	DNV Business Assurance	International standard ISO 26000 corporate social responsibility guidelines seminar	7
		12/01~02/2011	the Institute of Internal Auditors	Operational auditing practice and use(Advanced)	14

2、Employees' certification related to financial transparency :

Name	certification
Lancy Wu	Qualified Internal Auditor (QIA)、 Certified Internal Auditor (CIA)、 Basic examination on internal controls by the Securities and Futures Institute
Paul Chen	Qualified Internal Auditor (QIA)、 Certified Internal Auditor (CIA)、 Certification in Control Self-Assessment、 Internal Control of Corporation Test of Securities and Futures Institute
Lynn Lee	Qualified Internal Auditor (QIA)、 Certified Internal Auditor (CIA) 、 Internal Control of Corporation Test of Securities and Futures Institute
Weilin, Chen	Internal Control of Corporation Test of Securities and Futures Institute
Jason ,Lee	Internal Control of Corporation Test of Securities and Futures Institute
Jack Chang	Senior Securities Specialist、 Paper 1
Eva Huang	CPA(USA)

3.3.8 Internal Control System :

Test Rite International Co., Ltd.
Statement of Declaration on Internal Control System

Date: April 25, 2012

The Company conducted an internal audit for 2011 in accordance with its Internal Control Regulation and hereby declares as follows:

1. The company acknowledges and understands that the establishment, enforcement and preservation of the internal control system are the responsibility of the Board, and that the company has already established such a system. The purpose is to reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
2. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately.
3. The Company determines the effectiveness of the internal control system in design and enforcement in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The Regulations is instituted for judging the effectiveness of the design and enforcement of the internal control system. There are five components of effective internal control as specified in the Regulations with which the procedure for effective internal control is measured, namely: 1. Control environment, 2. Risk assessment and response, 3. Control operation, 4. Information and communication, 5. Supervision. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company has adopted the aforementioned internal control system for an internal audit on the effectiveness of the design and enforcement of the internal control system.
5. Based on the aforementioned audit findings, the Company holds that it has reasonably preserved the achievement of the aforementioned with the internal control system as of December 31, 2011 (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, and that the design and enforcement of internal control are effective.
6. This statement of declaration shall form an integral part of the annual report and prospectus of the company and will be publicly announced. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement of declaration was unanimously approved by the Board on April 25, 2012 in the presence of 7 directors.

Test Rite Int'l Co., Ltd.

Chairman : Judy Lee

President : Sophia Tong

3.3.9 Major Resolutions of Shareholders' Meeting and Board Meetings

As of May 20, 2012

Date/Item	Major resolutions
6/17/2011 shareholders' meeting	Issues discussed and approved: 1. Approval of 2010 Business Report and Financial Statements 2. Approval of 2010 Profits Distribution 3. Approval of partial amendment of Internal Rules : (1)Partial amendment to Endorsement / Guarantee Procedures. (2)Partial amendment to Procedures for Lending Funds to Others. (3)Partial amendment to Articles of Incorporation. 4. Approval of the waiving of non-competition clauses applicable to directors. Implementation status: A board resolution has been adopted, in accordance with the resolution passed at the shareholders' meeting, to lift the restrictions on the Judy, Lee ,the chairman and director of Tony Ho and Robin Ho regarding non-competition.
6/28/2011 Board meeting	Approved Proposal of bank credit lines
7/26/2011 Board meeting	The Company's earning distribution and cash dividend proposal for fiscal year 2010 and related matters has been passed. Approved conversion plans for the revision of the International Accounting Standards (IFRSs).
8/10/2011 Board meeting	Approved Company's 11th share buyback program.
8/16/2011 Board meeting	Approved the Company's Financial Statements and Consolidated Financial Statements for the first half year of 2011. Approval of setting Remuneration Committee organization rules.
11/11/2011 Board meeting	Approved the proposal for the cancellation of treasury shares for the purpose of capital reduction. Approved changing CPA of financial statements. Approved the Company's Internal Audit Plan for fiscal year 2012. Approved amendment to Company's "Operating Procedures for Supervision of Subsidiaries". Approved the amendments to the Company's Guidelines for Company Share Buyback and Transfer of Ownership to Employees Approval of resigning the lease contract of Neihu building.
11/28/2011 Board meeting	Approved Company's 12th share buyback program
12/21/2011 Board meeting	Approved Company's US\$5 million indirect capital injection in HOLA (China) through Test Rite Trading Co., Ltd. Approved the Company's business plan and budget review for fiscal year 2012. Approved amendment to Company's registered address. Approved amendment to Company's address for drug sales permission. Approved the case of appointing members of Remuneration Committee member.
1/11/2012 Board meeting	Approval of changes to financial executives, the spokesman and acting spokesman case.
3/19/2012 Board meeting	Approved the amendments to the Company's Internal Control System · internal audit implementation rules and Company's Internal Control Self-inspection Operation Guidelines.
3/29/2012 Board meeting	Approved the 2011 Business Report and financial statements and consolidated financial reports. Approved the earning distribution proposal for 2011 with cash dividend of NT\$0.8 per share and stock dividend of NT\$0.3 per share.

Date/Item	Major resolutions
	Approved the convening of the Company's annual shareholders' meeting for 2012. Approved loans extended to subsidiary Test Rite Retail Co., Ltd.
4/25/2012 Board meeting	Approved the 2011 Statement of Declaration on Internal Control System. Approved the amendment of earnings distribution of 2011. Approved the capitalization of retained earnings issuance of new shares. Approved of proposal for the issuance of public placement of common stock. Approved the partial amendments to "Engage in derivative transaction process" Approved the partial amendments to "Acquisition or disposal of the asset process" Approved the partial amendments to the Company's Articles of Incorporation. Approval of reported the review of shareholder proposals. Approved the amendments to the agenda and topics for Company's annual shareholders' meeting for 2012.
5/10/2012 Board meeting	Approved various proposals that would impact the Company's financial statements on the first day of adopting International Financial Reporting Standards (IFRSs)

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

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

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

(Unit : Share)

Title	Name	2011		As of Apr. 30, 2012	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Judy Lee	3,449,000	(15,986,803)	0	0
Director	Tony Ho	3,000,000	(24,081,590)	0	0
Director	George Hsu	220,000	0	0	0
Director	Robin Ho	118,000	0	0	0
Director	Li-Hsiung Co., Ltd.	0	(2,273,000)	0	0
Supervisor	Tsai-Chi Co., Ltd.	0	(14,686,000)	0	0
President	Sophia Tong	600,000	0	0	0
VP	John Peng	100,000	(244,000)	0	0
VP	Hannis Chang	120,000	0	0	0
VP	Gillian Joe	0	0	0	0
VP	Alfred Chang	(30,000)	0	0	0
VP	Peter Dong	120,000	0	0	0

Title	Name	2011		As of Apr. 30, 2012	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Lawrence Wu	46,000	0	0	0
VP	Jane Peng	0	0	0	0
VP	Bob Yueh	(10,000)	0	0	0
VP	Edward Kao	0	0	0	0
VP	Paul Wang	(10,000)	0	0	0
VP	Tracy Tsai	0	0	0	0
VP	Marshall Cheng	0	0	0	0
VP	Spencer Lee	0	0	0	0
VP	Angeli Chan	0	0	0	0
VP	James Lo	0	0	0	0
VP	Kelly Ho	300,000	0	230,000	0
VP	CC Fan	0	0	0	0
VP	Lawrence Ger	0	0	0	0
VP	Jack Ueng	0	0	0	0
VP	Maggy Chen	0	0	0	0
AVP	Alex Yu	0	0	0	0
AVP	Lancy Wu	15,000	0	(3,000)	0
AVP	Shelly Chen	(1,000)	0	0	0
AVP	Linda Lin	15,000	0	(15,000)	0
AVP	Monica Chen	15,000	0	0	0
AVP	Jack Chang	168,000	0	0	0
AVP	Constance Chuang	0	0	0	0
AVP	Eric Chang	0	0	0	0
AVP	Arthur Chen	40,000	0	0	0
AVP	Gino Chen	0	0	0	0
AVP	CY Lin	0	0	0	0
AVP	Austin Lin	0	0	0	0
AVP	Gilbert Du	0	0	0	0
AVP	Sky Yuan	0	0	0	0
AVP	Mercy Chen	0	0	0	0
AVP	Johnson Lee	0	0	0	0

3.4.1 Shares Trading with Related Parties : None.

3.4.2 Shares Pledge with Related Parties : None.

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

As of 4/20/2012

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders		Remarks %
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tony Ho	42,682,905	8.41	36,050,614	7.10	-	-	Judy Lee	Spouse	-
Judy Lee	36,050,614	7.10	42,682,905	8.41	-	-	Tony Ho	Spouse	-
Tsai-Chi Co., Ltd. Representative: Ms. Lee, Li-Heng	31,362,873	6.18	-	-	-	-	Tony Ho Judy Lee	Substantive sponsor	-
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	27,949,880	5.51	-	-	-	-	Tony Ho Judy Lee	Substantive sponsor	-
Chang Qiu Dun	26,080,000	5.14	-	-	-	-	-	-	-
Chang Lin Rui Feng	21,379,915	4.21	-	-	-	-	-	-	-
UPAMC Quality Growth	16,656,000	3.28	-	-	-	-	-	-	-
Li-Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	13,022,769	2.57	-	-	-	-	Tony Ho Judy Lee	Substantive sponsor	-
Fubon Life Insurance Co., Ltd.	12,160,000	2.40	-	-	-	-	-	-	-
The Taiwan Fund, Inc.	10,622,000	2.09	-	-	-	-	-	-	-

3.6 Long-term Investment Ownership

As of 12/31/2011; 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%	13,600,000	100.00%	13,600,000	100.00%
Hola Homefurnishings Co., Ltd.	0	0.00	30,000	100.00%	30,000	100.00%
Homy Homefurnishings Co., Ltd.	0	0.00	30,000	100.00%	30,000	100.00%
Freer Inc.	0	0.00	30,000	100.00%	30,000	100.00%
Tong Lung Metal Industry Co., Ltd.	54,009,774	66.46%	2,620,402	3.22%	56,630,176	69.68%
Chung Cin Enterprise Co., Ltd.	69,000,000	100.00%	0	0.00%	69,000,000	100.00%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	3,250,000	100.00%	3,250,000	100.00%
Tony Construction Co., Ltd.	0	0.00%	23,000,000	100.00%	23,000,000	100.00%
Chung Cin Interior Design Construction Co., Ltd.	0	0.00%	1,200,000	100.00%	1,200,000	100.00%
B&S Link 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%
Test-Rite Pte. Ltd.	3,520,000	100.00%	0	0.00%	3,520,000	100.00%
Test-Rite Int'l (Thailand) Ltd.	220,497	48.99%	229,500	51.00%	449,997	99.99%
Test-Rite Vietnam Co., Ltd.	800,000	100.00%	0	0.00%	800,000	100.00%
Test-Rite Product (Hong Kong) Ltd.	9,999	100.00%	0	0.00%	9,999	100.00%
Test-Rite Int'l (U.S.) Co., Ltd.	631.1	49.00%	51.0	3.96%	682.1	52.96%
Test-Rite Canada Co., Ltd.	100	100.00%	0	0.00%	100	100.00%
Test Rite de Mexico, S.A. de C.V.	3,557,819	49.00%	0	0.00%	3,557,819	49.00%
Test-Rite Int'l (Australia) Pty Ltd.	1,300,000	100.00%	0	0.00%	1,300,000	100.00%
Test-Rite (UK) Co., Ltd.	1,155,805	100.00%	0	0.00%	1,155,805	100.00%
Test-Rite Development Co., Ltd.	9,670,000	100.00%	0	0.00%	9,670,000	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.	72,831,000	100.00%	0	0.00%	72,831,000	100.00%
Test-Rite Trading Co., Ltd.	34,126,495	100.00%	0	0.00%	34,126,495	100.00%
B&S Link Co., Ltd. (Cayman)	900,000	100.00%	0	0.00%	900,000	100.00%
Fortune Miles Co., Ltd.	30,000	100.00%	0	0.00%	30,000	100.00%
TRS Investment Co., Ltd.	2,275,590.58	100.00%	0	0.00%	2,275,590.58	100.00%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of 04/20/2012

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
67.07	10	200,000	2,000,000	200,000	2,000,000	Initial issue NT\$2,000,000	-	
70.12	10	700,000	7,000,000	700,000	7,000,000	Capital injection NT\$5,000,000	-	
72.09	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	-	
73.12	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	-	
76.10	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	-	
78.11	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	-	
79.12	10	36,100,000	361,000,000	36,100,000	361,000,000	Capital surplus NT\$171,000,000	-	
80.07	10	45,125,000	451,250,000	45,125,000	451,250,000	Capital surplus NT\$90,250,000	-	
81.07	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	-	

82.08	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	-	
83.08	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	-	
84.07	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	-	
85.09	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	-	
86.08	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
87.07	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
88.07	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

89.10	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
90.03	10	370,000,000	3,700,000,000	239,890,794	2,398,907,940	CB conversion: NT\$63,907,940	-	No : (90) 09001094870
90.09	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
90.11	10	470,000,000	4,700,000,000	287,242,245	2,872,422,450	CB conversion: NT\$34,489,780	-	No : (90) 09001414970
91.01	10	470,000,000	4,700,000,000	287,970,127	2,879,701,270	CB conversion: NT\$7,278,820	-	No : 09101028620
91.03	10	470,000,000	4,700,000,000	292,106,179	2,921,061,790	CB conversion: NT\$41,360,520	-	No : 09101091570
91.05	10	470,000,000	4,700,000,000	292,126,587	2,921,265,870	CB conversion: NT\$204,080	-	No : 09101138780
91.08	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
91.10	10	550,000,000	5,500,000,000	347,892,171	3,478,921,710	CB conversion: NT\$29,024,220	-	No : 09101433810
92.01	10	550,000,000	5,500,000,000	347,940,951	3,479,409,510	CB conversion: NT\$ 487,800	-	No : 09201019620
92.10	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
93.04	10	550,000,000	5,500,000,000	387,516,315	3,875,163,150	CB conversion: 167,777,170	-	No : 09301077730
93.10	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
94.01	10	550,000,000	5,500,000,000	397,311,347	3,973,113,470	CB conversion: NT\$ 46,349,780	-	No : 09401009700
94.05	10	550,000,000	5,500,000,000	397,946,375	3,979,463,750	CB conversion: NT\$6,350,280	-	No : 09401087750

94.09	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
94.10	10	550,000,000	5,500,000,000	413,743,746	4,137,437,460	CB conversion:NT\$24,744,440	-	No : 09401212030
94.12	10	550,000,000	5,500,000,000	416,717,612	4,167,176,120	CB conversion:NT\$29,738,660	-	No : 09401246200
95.08	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
95.11	10	660,000,000	6,600,000,000	448,792,415	4,487,924,150	CB conversion: NT\$ 74,845,310	-	No : 09501265640
96.03	10	660,000,000	6,600,000,000	448,864,578	4,488,645,780	CB conversion: NT\$ 721,630	-	No : 09601053530
96.09	10	660,000,000	6,600,000,000	448,916,123	4,489,161,230	CB conversion: NT\$ 515,450	-	No : 09601233820
96.12	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
97.09	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
98.09	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
98.10	10	660,000,000	6,600,000,000	531,222,872	5,312,228,720	Capital injection NT\$500,000,000	-	No : 09801236000
99.09	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
100.11	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

B. Type of Stock

Share Type	Authorized Capital				Remarks
	Issued Shares	Treasury Stock	Un-issued Shares	Total Shares	
Common Stock	484,422,872	23,000,000	152,577,128	660,000,000	-

C. Information for Shelf Registration : None.

4.1.2 Status of Shareholders

As of 4/20/2012

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	3	62	25,463	78	25,608
Shareholding (shares)	33	13,785,000	143,814,716	303,041,513	46,781,610	507,422,872
Percentage	0.00	2.72	28.34	59.72	9.22	100

4.1.3 Shareholding Distribution Status

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

As of 4/20/2012

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 - 999	10,559	2,283,417	0.45
1000 - 5000	10,547	24,051,546	4.74
5001 - 10000	2,206	18,044,253	3.56
10001 - 15000	648	8,241,625	1.62
15001 - 20000	500	9,434,159	1.86
20001 - 30000	369	9,570,558	1.89
30001 - 40000	168	6,046,789	1.19
40001 - 50000	124	5,834,708	1.15
50001 - 100000	241	18,067,687	3.56
100001 - 200000	127	17,497,612	3.45
200001 - 400000	41	11,586,328	2.28
400001 - 600000	20	9,768,812	1.93
600001 - 800000	11	7,613,674	1.5
800001 - 1000000	8	7,318,821	1.44
1000001 or over	39	352,062,883	69.38
Total :	25,608	507,422,872	100

B. Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/20/2012

Shareholder's Name	Shareholding	
	Shares	Percentage
Tony Ho	42,682,905	8.41
Judy Lee	36,050,614	7.10
Tsai-Chi Co., Ltd.	31,362,873	6.18

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

Unit: NT\$

Item		2010	2011	1/1/2012-3/31/2012	
Market Price per Share	Highest Market Price	25.85	28.30	22.25	
	Lowest Market Price	15.70	18.85	19.95	
	Average Market Price	20.31	22.45	21.04	
Net Worth per Share	Before Distribution	12.28	13.29	13.71	
	After Distribution	11.62	13.29	13.71	
Earnings per Share	Weighted Average Shares	483,942,872	502,814,539	485,190,205	
	Diluted Earnings Per Share	1.01	1.27	0.55	
Dividends per Share	Cash Dividends		0.665	0.8	-
	Stock Dividends	From Retained Earnings	0.3	-	-
		Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio (Note)	20.11	17.68	-	
	Price / Dividend Ratio (Note)	30.54	28.06	-	
	Cash Dividend Yield Rate (Note)	3.27%	3.56%	-	

Note 1 : Price / Earnings Ratio = Average Market Price / Earnings per Share; Price / Dividend Ratio = Average Market Price / Cash Dividends per Share; Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

The landscape of the industry in which the Company engages business in contains various risks and uncertainties. As the life cycle of the Company's development enters the stable and mature phase and taking into account the Company's diversification, future operating plans, capital requirements and long-term financial planning, as well as considering shareholders' interests, our dividend policy shall be formulated in accordance with the provisions of the Company Act and other relevant regulatory requirements to ensure the soundness and balance of dividend distribution. The distribution of dividends to shareholders shall be conducted via the following three methods: earned surplus-turned capital increase, capital reserve-turned capital increase and cash dividends. Here cash dividends may not be less than ten percent of the total dividends, although in the event that the cash dividend is less than NT\$0.1 per share, no cash dividends will be distributed and instead the dividends will be distributed via stock dividends.

B. Proposed Distribution of Dividend

The Company's audited 2011 financial statements indicate that the net profit totaled to NT\$636,133,157, and together with the retained earnings of NT\$503,180 in the previous years, less NT\$26,129,432 for the cancellation of treasury shares of subsidiary company, and the allocated statutory surplus reserve of NT\$61,050,691, the surplus available for distribution was NT\$549,456,214.

The Company intends to allocate shareholder's dividends in the amount of NT\$532,865,160 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 20, 2012 (ex-dividend date) being 507,422,872 shares, net of 23,000,000 treasury shares, the total actual number of outstanding shares is determined to be 484,422,872, and consequently the cash dividend per share is NT\$0.8 and the stock dividend per thousand share is 30 shares.

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 2012.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

A. As pursuant of the Company Act and Article of Incorporation, the Company, after reporting positive earnings for a given fiscal year and paying applicable taxes, should first reserve its earnings to cover any losses from prior years. Thereafter, the company should reserve 10% of its earnings for legal reserve before allocating no less than 2% of its earnings for employee bonus, and 2% of its earnings for the salary for the Board of Directors and Supervisors.

B. A portion or all of employees' bonus can be issued via new shares, but within the pre-approved ratio according the company's Article of Incorporation. The Chairman can decided, which employees of the company will receive employee stock bonus,

once their eligibility is confirmed. Estimated employee bonuses as well as compensation of the Board of Directors and Supervisors for this period are calculated at 8% and 2% of after-tax net profits, respectively. After the end of the fiscal year, should the Board of Directors resolve that the amount of monies to be distributed is to be changed significantly, the original provision of annual expenditure shall be adjusted; if there is further adjustment of the aforesaid monies up to the date of the Board's meeting, then the Board of Directors shall resolve that annual adjustment entries be recorded in accordance with accounting estimates thereof.

C. 1. On April 25th, 2012, the Board of Directors approved employee cash bonus of NT\$ 43,956,497 and total salary for the Board of Directors and Supervisors of NT\$10,989,124.

Items for Distribution	As proposed by the Board (A)	Estimated expense (B)	Difference (A)-(B)	Remark
Employee cash bonus	43,956,497	42,674,000	1,282,497	Difference is between estimate and actual expense. Since, the difference is minor, the amount will be applied to 2012 earnings.
Total salary for the Board of Directors and Supervisors	10,989,124	10,669,000	320,124	

C.2. The ratio of the proposed allotment of employee stock bonus amount and account for the ratio of current net income: It's not applicable because the company does not have the proposed allotment of employee stock bonus in 2011.

C.3. The earnings per share of proposed allotment to employees bonus and directors and supervisors earnings :NT\$1.27.

D.The actual allocation of employee dividends and remuneration to directors and supervisors in the previous year compared with the distribution plan originally approved by the Board: The Company's earning distribution for fiscal year 2010 was approved at the annual shareholders' meeting on April 28, 2011. Remuneration to directors and supervisors accounted for NT\$6,758,788 and employee bonuses amounted to NT\$27,035,151, both of which were paid out in cash.

Items for Distribution	As resolution by the Board (A)	Estimated expense (B)	Difference (A)-(B)	Remark
Employee cash bonus	27,035,151	28,800,000	1,764,849	Difference is between estimate and actual expense. Since, the difference is minor, the amount will be applied to 2011 earnings.
Total salary for the Board of Directors and Supervisors	6,758,788	7,300,000	541,212	

4.1.9 Buyback of Treasury Stock

As of 04/30/2012

Treasury stocks in Batches	10 Batch	11 Batch	12h Batch
Purpose of Buy-back	Transfer to employees	Transfer to employees	Transfer to employees
Timeframe of Buy-back	97/10/13~97/11/11	100/8/12~100/10/7	100/12/2~101/1/18
Price range	NTD15~22	NTD22~28	NTD20~28
Class, quantity of shares bought back	9,000,000	20,000,000	9,000,000
Value in KNT\$ of bought-back shares	137,765,957	442,500,680	62,811,352
Shares sold/transferred	9,000,000	0	0
Accumulated number of company shares held	0	20,000,000	23,000,000
Percentage of total company shares held (%)	0%	3.94%	4.53%

4.2 Employee Stock Options : None.

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

4.4 Financing Plans and Implementation : None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1)

- 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

(2) Percentage of total revenue of each product or service

(Unit : NTD thousand)

Main Item	Sale of 2011	percentage (%)
House ware	7,752,072	58.41
Hard Line	2,266,509	17.08
Electrical	518,420	3.90
Seasonal & others	2,735,553	20.61
Subtotal	13,272,554	100.00

(3) Currently the Company's main products (services) are as follows: The Company engages in the import and export of household products, including DIY hand tools, hardware, ceiling fans, lighting fixtures and other electrical appliances, bathroom facilities, indoor/outdoor furniture, and other household items.

(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 accounted for approximately 30% of total export amount in 2010. In addition to the providing comprehensive features in professional tools, effort-saving is a major point of consideration for consumers. With the principles of structural mechanics and leverage, the design of hand tools must take into account not only the innovative appearance but also ergonomics in order to meet market demand.

2. Development energy-saving lamps and related products:

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. Lamps and light fixtures are also a category of products exported by the Company. Apart from the modern designs of their exterior, lamps shipped by the Company contain automatic cut-off loop control circuitry to prevent consumers from misusing light bulbs that do not conform to the correct specifications and wasting energy; this helps to put the concept of energy conservation into practice effectively in product design.

5.1.2 Industry Overview

(1) Current status and development of the industry

The Company was founded in the August, 1978. During its earlier years, the Company focused on the export of hand tools and hardware. As the Company's customer base expanded, the product offerings also increased, including 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 Southeast Asia (Thailand and Singapore), Europe (Germany and the U.K.) and Australia by setting up subsidiaries, representative offices or branch offices. With established branches in the U.S. and Hong Kong, the Company was able to provide support for sales and services with the advantages of proximity. Beginning in 1989 the Company expanded the domestic retail market and started to market products originally exclusively for export at home. A domestic sales department was established as a result and began to supply several thousands types of products to major discount stores around the country. Below we describe the industries in which the Company engages by trading business and by main product category:

1. Current status of trading business

Being a small island with very limited natural resources, trading has been Taiwan's primary route and strategy for economic development since Dutch rule and the era of Koxinga. Following the Nationalist Government's withdrawal to Taiwan from mainland China and four decades of growth, the people of the island created what later became known as the Taiwan economic miracle. The growth phase propelled Taiwan's economic prosperity and is recognized as one of the "Four Asian Tigers". These achievements did not come easily. Over the past 40 years, to keep pace with the requirements of the country's overall economic development and changes in the economic landscape at home and abroad, Taiwan's foreign trade policy has seen numerous changes. From the early import-substitution policy and export expansion policy in the 1960s to the current policy of trade liberalization, internationalization and institutionalization, the country has successfully achieved rapid trade expansion. Apart from the year 2009, when the impact of the global financial crisis was felt, the growth of Taiwan's trade has been quite healthy. During a period of 19 years spanning from 1993 to 2011, Taiwan's total external trade has experienced a substantial growth (see table below). Foreign trade has indeed become the main driving force behind Taiwan's economic development. In recent years, trading activities with mainland China have become more and more important. In 2011 Taiwan's the amount of export to China accounted for 40% of the island's total exports, and import from China amounted to 16% of total imports. Test Rite Group has aggressively expanded its presence in China. Since Shanghai trading subsidiary was founded in 2005, the Group has penetrated China and built a solid relationship with Chinese suppliers. With China's fast pace of economic development, it is hoped that the Company's trading business will be able to gain access to sales channels on both sides of the Taiwan Strait and become agents of international brands that seeks to gain

access to the rapidly growing consumer market in Taiwan and China.

Import/Export Amounts by Year - Taiwan				(Unit : USD 100million)		
Year	Total exports	Export Growth rate (%)	Total imports	Import Growth rate (%)	Total amount of trade	Total trade growth rate %
1993	851	4.44	771	7.02	1632	5.67
1994	930	9.35	853	10.76	1784	9.99
1995	1117	20.00	1035	21.33	2152	20.62
1996	1159	3.84	1024	-1.14	2183	1.44
1997	1221	5.29	1144	11.78	2365	8.33
1998	1106	-9.42	1047	-8.53	2152	-9.01
1999	1216	9.96	1107	5.76	2323	7.95
2000	1483	21.98	1400	26.49	2883	24.11
2001	1229	-17.16	1072	-23.41	2301	-20.19
2002	1306	6.29	1125	4.94	2431	5.65
2003	1442	10.41	1273	13.16	2715	11.68
2004	1740	20.67	1679	31.89	3419	25.93
2005	1984	14.02	1826	8.76	3810	11.44
2006	2240	12.90	2027	11.01	4267	11.99
2007	2466	10.12	2193	8.17	4659	9.19
2008	2556	3.63	2404	9.67	4960	6.46
2009	2037	-20.3	1744	-27.5	3781	-23.77
2010	2,746	34.8	2,514	44.2	5,260	39.12
2011	3,083	12.3	2,816	12.1	5,899	12.1

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

The implications of foreign trade environment are complicated compared to other industries; the major factors that affect trading business include: Exchange rate fluctuations and non-economic barriers to trade (i.e., policy, trade protectionism, customs, and regional alliances). The fluctuations of exchange rates can be regarded as main factor affecting the offset of import/export trade amounts and changes in profitability, and non-economic barriers to trade contribute to the restriction on the conditions and extent of overseas market expansion; However, with the collapse of the Soviet Union, the world has entered the post-Cold War era, which has led to the formation of new economic and trading environments. Regional economic integration has become the mainstream of international trade and economic development at present. And with the proliferation of the World Trade Organization (WTO) memberships and 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 sizes and internationalization of customers and the trends toward multi-function traders.

A - Degrees of export and import concentration have increased slightly and exchanges with Asian countries have become more frequent

According to statistics compiled by the Department of Statistics, Ministry of Finance, in 2011, Taiwan has developed closer trading relations with major partners such as China (including Hong Kong) and ASEAN countries. Exports to China for the year amounted to US\$124.05 billion, increased 8.4% YoY and imports from China were valued at US\$45.27 billion, an increase of 20.5% YoY. As for ASEAN nations, total exports were US\$50.74 billion, up 22.7% YoY. As for Japan, total imports were US\$52.20 billion, an increase of 0.5% YoY. Both sets of figures represent record high trade volume, indicating that Taiwan has benefited from the stable economic development of Asian countries in 2011 and has developed closer ties with developing countries in terms of trade. Following the signing of ECFA, Taiwan's economic exchange with China has become more liberalized as well, which contributes to even more active cross-Strait trade activities.

Regional trade concentration indicator

(Unit : USD100million; %)

Year	Total amount of trade	Export value	Import value	Taiwan to China export amount	Taiwan to China import amount	Taiwan - Top three countries with highest degrees of export concentration	Taiwan - Top three countries with highest degrees of import concentration
2001	2301	1229	1072	336.1	79.5	54.82	47.30
2002	2431	1306	1125	434.9	98.8	55.77	51.88
2003	2715	1442	1273	537.6	129.4	45.91	47.46
2004	3419	1740	1679	692.5	191.0	40.89	48.80
2005	3810	1984	1826	776.8	222.0	43.60	48.90
2006	4267	2240	2027	891.9	266.6	54.26	46.24
2007	4659	2466	2193	1,004.0	298.4	53.72	45.81
2008	4074	2556	2404	995.7	328.8	51.00	43.36
2009	3781	2037	1744	836.9	255.5	52.65	45.17
2010	5,260	2,746	2,514	1,147.4	375.7	68.40	47.10
2011	5,899	3083.0	2,816	1,240.4	452.7	52.26	47.74

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

In 2011, the top three countries/regions for Taiwan's exports are: China/Hong Kong, ASEAN countries, United States; the top three countries/regions from which Taiwan imports are: Japan, China/Hong Kong, ASEAN countries.

B - Proportion of triangular trade has increased

The majority of trading companies in Taiwan are small to medium in size and have in the past performed quite well due to their rich experience in foreign trade, knowledge and flexibility in operations, and as a result of the relative political stability of Taiwan in the past several decades compared with Southeast Asian countries and China as well as the development of Taiwan's light industries. However, in recent years, labor-intensive industries have been relocated overseas and domestic industries have undergone rapid changes; In addition, China and Southeast Asian countries have gradually gained advantages in certain manufacturing sectors owing to their low labor costs. In addition

to the fact that distributors and retailers are growing in size and becoming more internationalized, the supply and demand structure of the upstream and downstream sectors of trading companies in Taiwan have changed as a result. Trading companies must rely on triangular trade to seek cheaper resources from overseas markets in order to fill the void left by the loss of price competitiveness of some domestic products. They also need to meet the various criteria of large customers: types, quality and prices of products. This is the reason behind the increase in proportion of triangular trade.

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, some manufacturers have increased in size significantly. Large manufacturers are not only able to take advantage of its lower production costs but are also in a better position to establish closer relationships with key customers. This results in less space for survival among the smaller trading companies. In addition, large trading firms are also able leverage development of global trades to gain advantages on logistics and procurement capacity, thus threatening the very survival of smaller domestic trading companies, which begins to strive for regional distributorships for products with smaller produced quantity and with higher SKUs compared with other mainstream products.

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 powers; their transnational procurement activities have also contributed to domestic traders developing multinational logistics and procurement services, thus speeding the transformation or phasing out of smaller trading companies.

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

Due to the rise of major distributors and enterprise groups, the trend is moving toward the integration of marketing channels into large chain stores. Distributors with considerable size have also tilted the market toward buyers, prompting suppliers (including traders and manufacturers) to provide recommendations on the designs, development, financing and competitive strategies of products and retail outlets as well as customs clearance, distribution, delivery and after-sales service for end consumers. The role played by trading companies has diversified; they are no longer limited to taking orders, placing orders, or conduct long and short selling. They must now transformed multifunctional team that contributes to product marketing, customer service, logistics and distribution, and financial strength.

Taiwan's trade industry is expected to benefit from the global economy gradually emerging from the shadow of the financial crisis and the hardest hit regions are showing signs of steady recovery. After

ECFA signing with China, the economic ties between Taiwan and the mainland have increased significantly, and trade between the two sides is expected to gradually expand. Trading companies will be leveraging their rich experience in international trade to strengthen communication with customers and to conduct long-term and stable cooperation with players in the supply chain. Trading companies is also well positioned to benefit from to develop additional brand licensing opportunities to tap the fast growing demand of Chinese consumers.

In addition, as China's economy continues to expand at a rapid rate, labor costs are also seeing significant increases. Although China will remain the world's center of manufacturing and processing over the next few years, trading companies will need to adjust their procurement strategy and begin to evaluate alternative sourcing locations in order to adequately account for the risk of potential higher costs of operating in China.

2. Principal trading

With Test Rite positioning itself as a specialized trading company in "Household products market," the Company's major products consist of hand tools (including common hand tools, gardening tools and metal parts; which account for 20% of total revenue) and household items (including sanitary equipment, automotive repair supplies, fireplace equipment and supplies, furniture, Christmas gifts and barbecue utensils; which account for 60% of total revenue), making Test Rite the largest professional hand tools and household products trading company in Taiwan. Below we provide further analysis on the Company's key product offerings.

A higher degree of industrialization accounts for higher usage rates of hand tools and household products by consumers. Therefore, 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. However, multifunction tools have enjoyed phenomenal growth in recent years. As for household products, as the industrial and commercial society places higher value for products that save time, allow personalization and offer multiple features, there is more room for improvement in terms of the design. However, in order to create market demand, there is a current trend that propels hand tools and household products in the direction of multiple functions/composite design, ergonomics and personalization. There are attempts to employ new materials on some products, join forces with pop culture for marketing purposes, or manufacture highly differentiated products in smaller quantities in order to create a market demand.

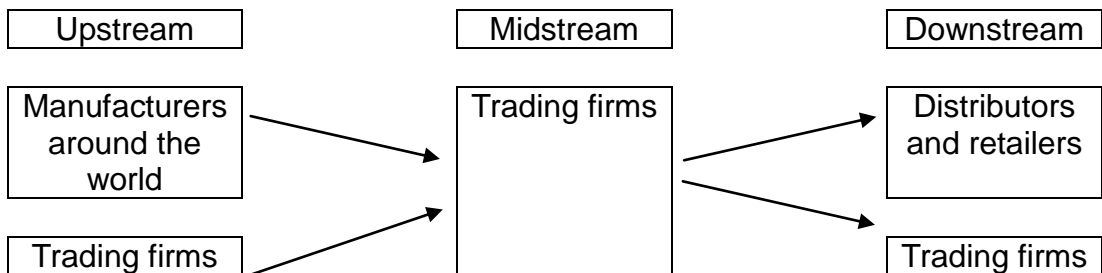
As for the sources of merchandise, since there are vast number of household products, most manufactures do not have brand and channel advantages, apart from certain manufacturers of brand-name bathroom and sanitary equipment and automotive repair supplies. They are also mostly small and medium enterprises. 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. Although the export value of furniture, bedding and lighting equipment has been gradually declining over the years due to fierce competition in the market, in 2010 the industry has rebounded with the recovery of the economy. Since products in this category are quite mature, the size of the market remains considerable and major export destinations include North America and Asia. This year's economic outlook and pace of recovery remains stable, which is a positive indicator of demand for hand tools and household products. On the other hand, with the consumers engaging in more DIY activities and a growing emphasis on improving living standards, the market of general hand tools and household products are expected to see further growth.

(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. Its upstream and downstream structures vary depending on the types of products traded. For example, the upstream, midstream, and downstream industrial structures of trading companies which deal with sales of manufactured end-product goods are as follows:

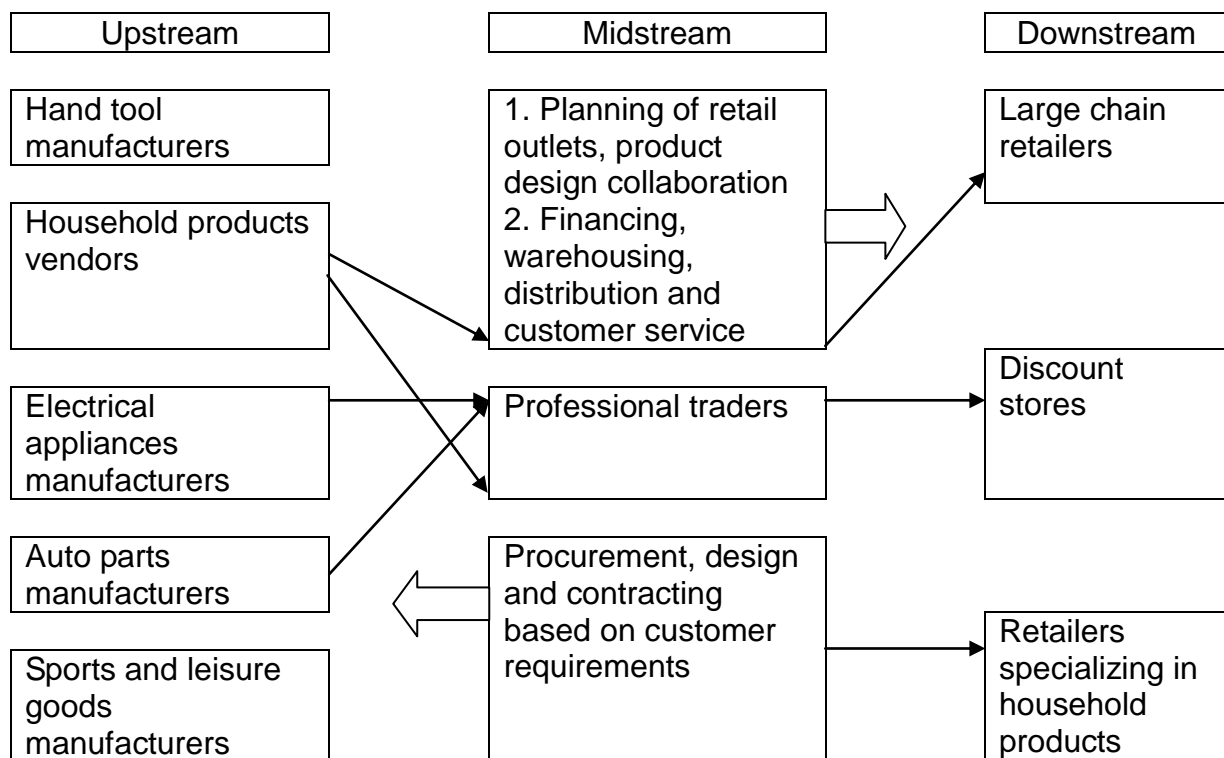


The so-called 'barriers to information access' is mainly geographic isolation and regulatory restrictions as well as the need of upstream and downstream vendors for working capital, as well as due to advantages to buyers or sellers resulting from product characteristics or channel structure. Disadvantaged parties are often faced with unfavorable payment terms. This situation requires trading companies to bridge the gap of potential sellers and potential buyers of products.

Due to the changes of the global industrial structure, the upstream procurement sources of some traders are no longer confined to only one country or one region. As a result, upstream procurement sources and downstream customers have also become quite different. Overall, today's trading companies play an increasingly important role in global economic activities and have deepening relationships with both upstream and downstream vendors than in the past.

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 means of product marketing and via exhibitions. They 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, they will be able to sell their products quickly with the intermediary services provided by trading firms. 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, where the trading firm can provide Total Solution service that includes more than order fulfillment, but also includes packaging, logistics, warehousing, and potentially financing services. In addition, trading companies also possess the ability to cooperate with their upstream and downstream partners in terms of providing after-sales service and formulating marketing strategies. 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. In addition, trading companies 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.

(3) Development 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 become increasingly more competitive in the future. Only by seeking to provide value added services and continue to expanding the size of its own operations to strengthen its product and service offerings, will trading companies survive the challenges that lie ahead.

Future trends of the trading industries include the following:

1. Specialization in Products and Customer Services

As competition becomes more intense in the trading business, the role of trading companies must evolve beyond sourcing and re-selling transactions. Trading companies have evolved to become full service suppliers that provide product consultation and after-sales service as well as logistics and distribution functions. Since these services often involve specialized products, trading companies have become more and more focused in specific market segments and build complete product lines to demonstrate their competency.

2 · 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, any unfair or discriminatory trade practices that the country is confronted with can be resolved via the organization as the country participates in the formulation of international trade regulations. This enables all parties involved to have effective access to international trade regulations and trends in a more predictable environment so that they can carry out trade and investment activities. After the signing of ECFA, economic activities between Taiwan and mainland China have flourished and cross-strait trade and investment opportunities have become increasingly accessible. But recently China, Japan and South Korea decided to start FTA negotiations this year, which caused great pressure on the competitiveness of Taiwan. Taiwan need accelerate on an economic cooperation agreement with other countries. As a result, it can be foreseen that elimination of trade barriers presents trading companies with many different challenges and opportunities. These include increased pressure from overseas competitors, threats from expansion of emerging markets and more readily available information about competitors and local markets.

3 · Applications to accommodate e-Commerce

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

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

While value-added services such as logistics, distribution, and after-sales services cannot be completely replaced by the lower cost procurement offered by online sourcing, trading companies will need to develop its own online strategy in order to prevent being replaced, or circumvented, by global retailers desire to go direct to manufacturers to fulfill lower cost sourcing needs.

4 - Augmenting 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 small, regional sourcing and point of sales in the past, to larger companies that have gained economies of scale, becoming multi-national entities spanning the globe.

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 imposed on them by larger, global retailers. They can take advantage of trading companies with cross-border logistics capabilities acting as their representatives in the areas of product sales, warehousing and distribution.

(4) Competition Status

Currently there are no competitors of comparable size. 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). As for the form of industrial development, the winner-takes-all scenario remains the trend. Large trading companies such as Test Rite will be able to widen the gap with small and medium trading firms with their reputation and experience in serving international customers for many years and with the various standardization and electronic procedures.

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 technological research and development.

5.1.4 Long-term and Short-term Development

(1). Operational Guidelines

1. Steady Growth of Trade: The Company's Primary Business

A. The Company utilizes the experience and resources accumulated over the years on the integration of trade-related services such as product design, packaging design, logistics and warehousing. We also develop new business areas and new products to provide customers in the retail industry 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, providing the consumer markets on both sides of the Taiwan Strait with household products, a rapidly growing sector. The Company will continue to expand its partnerships in procurement agency services with existing customers such as Michaels, AutoZone, Tractor Supply, AAFES, Spotlight and OSH, and will work to cultivate additional customers as well.

B. With wage levels in China rising steadily, significant growth in consumer spending power is expected. The Company will be actively developing product distribution rights on both sides of the Taiwan Strait and taking advantage of opportunities for high growth in the domestic consumption market. We will also continue to plan for and develop new potential

procurement sources and regions in order to improve our production and marketing cost efficiency. We also added procurement team in Southeast Asia, and set up a new office in India.

2. Maintaining Growth in the Retail Business

- A. With consumer confidence in Taiwan rising, the pursuit of a higher quality of life is becoming more widespread. Test Rite retail outlets and HOLA TW are expanding their presence and provide a more complete selection of products. We are also considering the possibility of providing different types of services to be able to enter the community home improvement sector or to formulate business strategies such as store-within-the-store in order to improve our operational efficiency. The operating performance of our mainland Chinese retail operations and HOLA China outlets also continues to improve. After rapidly expanding 9 small to medium stores in 2010, the company emphasis on enhancing store operating performance. In 2011, the company opened a new store and closed one store. The total number of stores remains the same. Otherwise, the operating income increase to RMB\$77,500 million, up 25.6% YoY.
- B. Taiwan's consumer market is a relatively more mature market, but it is a market where more and more consumers are looking to make purchases to improve their standard of living. Meanwhile with China's 12th five-year plan aimed at driving demand for domestic consumption, considerable growth opportunities exist in China as well.

3. Group Integration

The Group continues with its integration effort. Trading business will look to become distribution agent for global brands in Taiwan and China. At the same time, Tung Lung Metal, have begun manufacturing kitchenette to be sold in the Group's retail stores in Taiwan.

(2). Important Marketing and Development Strategies

1. Product Marketing:

- A. Strengthen marketing and promotional capability; continue to develop well-known customers; take advantage of the Company's existing ISO-9002 certification and specialized product development and packaging superiority; develop new customers and new markets.
- B. By maintaining close-knit cooperation among departments, the Company has earned the trust of customers with flexible delivery schedules and high-quality products. This, in addition to providing marketing strategies, retail outlet design, and warehousing and distribution services, enables us to gain access to major international customers with our outstanding reputation and increase the Company's turnover and profitability.
- C. To accommodate different cultures and situations in various countries, we actively collect market information to develop new products and product mix to expand to domestic and foreign markets with packaging and design in limited quantities.
- D. Enhancing our presence in Taiwan and China by establishing additional stores, we provide a tight service network aimed at domestic and overseas customers, thus enabling us to enter new markets and to collect

information on market supply and demand as well as on products.

2. Product Development:

- A. Continuing the development of hardware, hand tools and household products, we reinforce the image of Test Rite as a professional tools and household products trading company with products designed toward the goals of being innovative, ergonomically designed, multi-function/composite, limited-quantity packaging and highly differentiated products in smaller quantities in order to meet the demand of the current markets.
- B. Taking advantage of Test Rite's well-established professional image, the Company explores the possibility of entering relevant product domains in order to expand its product lines and to reap the benefits of synergy when combining new and existing products.
- C. Through investing in other companies, we aggressively expand our domestic downstream hardware hand tools and household products retail channels to achieve vertical integration efficiency as well as to create more formidable entry barriers and increase our market share.
- D. In response to the ongoing development of online commerce, the Company seeks domestic and overseas strategic partners and explores the types of products that are more suited to the Internet commerce in order to participate in this new market.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(1). Sales (Service) Region

(Unit : NTD thousand)

Division	Year	2010		2011	
		Amount	%	Amount	%
America		5,586,079	49.77	6,935,010	53.72
Europe		2,115,228	18.85	2,028,685	15.72
Other area		1,538,695	13.71	1,468,090	11.37
Sub total		9,240,002	82.33	10,431,785	80.81
Taiwan		1,983,386	17.67	2,476,732	19.19
Total		11,223,388	100.00	12,908,517	100.00

A. Export Markets

In 2010, the economy in North America rebounded ahead of other developed markets and the region represented a target export destination with 60% of the Company's total trading business. Currently the job market and consumer confidence in North America continue to improve in 2011. The economy of the European market slowed down slightly in 2010 and exports to Europe fell to 15% of total shipments and still full of uncertainty so far. The Asian domestic consumption markets continue to grow amidst brisk economic development. 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.

Currently, hand tools account for approximately 20% of the Company's total export revenue, while electrical appliances and household products represent about 3.9% and 58.4%, respectively. 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.

B. Domestic Market

Test Rite Retail currently operates 23 DIY stores and 20 HOLA TW outlets, and remains a dominant player in the DIY and home furnishing business. We offer comprehensive home improvement and decoration services and leveraging our retail outlets to penetrate the regional markets in Taiwan. We also opened a Décor' House shopping mall in Nangkan, Taoyuan in September, 2011. With a thriving real-estate market in Taiwan, the Company's overall domestic business is well positioned to benefit from the recovery of the domestic demand in Taiwan.

(2) Market Share

A. Hand Tools

The Company's shipment was NT\$2.267 billion in 2011. The hand tools business is expected to benefit from the growth of our retail business as well.

B. Household Products: As there are numerous products in this category, no relevant statistics are currently available.

(3) Future Supply and Demand and Market Growth

The economy and job markets in North America are seeing sustained level of recovery. European economy is also showing signs of improvement. And Taiwan's domestic demand has remained resilient following the financial crisis. The outlook for demand, for products related DIY and home improvement is expected to increase both at home and abroad, including Emerging Markets as well.

(4) Competitive Niche

A. 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. In addition to principal trading, our agency business have secured contracts with customers including AutoZone, Michaels, Tractor Supply, AAFES and Spotlight and OSH.

B. 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 important 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.

C. Transforming trading experience and branching out into retail outlet operations, benefiting from rising domestic demand and economic growth

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's furniture and decoration business mains in an expansion mode. Our retail outlets encompass the home improvement and decoration services markets, and Décor House provides comprehensive and integrated home improvement solutions. The potential for domestic sales growth is very promising. The operating of HOLA China is improving, reaching single-month profit for the first time in December, 2009. There were 12 stores get profit in 2010 and 16 sores reached the profit in the first quarter of 2012.
- E. We continue to explore the possibility of expanding into emerging markets with great potential, such as Southeast Asian and Central and South American countries.

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 deisgn 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

A. Major Products and Their Main Uses :

Major Products		Main Uses
Hand Tools Category	General Hand Tools (including axes, saws, wrenches, and pliers) Gardening Tools (shovels and sprinklers) Hardware Components (e.g. screws)	These are tools for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories. Maintenance of gardens and beautifying home environment. Spare parts necessary for general repair and maintenance.
Electrical Appliances	Ceiling fans, electric fans Lamps and light fixtures (including wall lamps, table lamps and floor lamps) Other Electrical Accessories (e.g. Hair dryers, electric razors and infrared detectors)	Ventilation and Interior Decoration. Used for indoor or outdoor lighting and decoration. Small personal or family electrical appliances for daily use.
Other Household Products	Bathroom and sanitary equipment, automotive repair and maintenance supplies, fireplace accessories, furniture, Christmas gifts, barbecue utensils	Products essential for the family or recreational products
General merchandise for domestic market	OA Furniture (e.g. desks and office chairs) Recreational Products (mainly bicycles and ice chests) DIY TOOL Automobile accessories and supplies (e.g. automobile mats and windshield wipers) Stationery (e.g. office supplies, file folders and document holders)	Essential furniture for the office. Leisure products that make life more fun. These are tools for Do It Yourself (DIY) projects, essential for the installation and maintenance of household accessories. Accessories and general merchandise for cars. Essential accessories and supplies for the office.

B. 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

A. Major Suppliers Information for the Last Two Calendar Years

Unit : NT\$thousand

Company Name	2010			2011		
	Amount	Percent	Relation with Issuer	Amount	Percent	Relation with Issuer
A Co.	1,928,670	17%	Subsidiary of TR	2,183,132	17%	Subsidiary of TR
B Co.	1,490,442	13%	Subsidiary of TR	2,108,627	17%	Subsidiary of TR
C Co.	1,061,704	10%	Subsidiary of TR	1,929,750	15%	Subsidiary of TR

B. Major Clients (each commanding 10%-plus share of annual order volume) Information for the Last Two Calendar Years

5.2.5 Production over the Last Two Years : N/A: The Company is engaged in the traditional trading industry and is not involved in manufacturing.

5.2.6 Shipments and Sales over the Last Two Years

Unit : NTD\$ million

Major Products	Year	2010		2011	
		Local	Export	Local	Export
		Amount	Amount	Amount	Amount
Tool		-	1,848	-	2,236
Electronics		-	498	-	511
Household		-	6,823	-	7,647
Sundry		1,929	-	2,411	-
Commission		-	114	-	144
Rental		302	-	324	-
Total		2,231	9,283	2,735	10,538

5.3 Human Resources

Year		2010	2011	Until May 10, 2012
No. of Employees		397	461	428
Average Age		40	39	39
Average Years of Service		8.2	8.1	8.1
Education	Ph.D.	0%	0%	0%
	Masters	12.18%	13.81%	13.43%
	Bachelor's Degree	73.09%	74.52%	74.34%
	Senior High School	13.31%	10.95%	11.51%
	Below Senior High School	1.42%	0.72%	0.72%

5.4 Labor Relations

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

1. Employee Welfare Programs:

To promote the welfare of our employees and to create an environment in which our employees can enjoy working in, the Company established the Employee Welfare Committee on April 6, 1983 to implement various employee welfare activities. The sources of funding for the committee consist of 0.05% of the Company's total monthly revenue and 0.5% of employees' total monthly salary. In addition, the Company's employee welfare programs include healthcare plans, loans and employee stock ownership plans.

2. Employee Education and Training Programs

Continuous learning is one of the key factors that affect the survival of an enterprise in the marketplace. Our employee training programs are long-term planned talent cultivation systems which complement the Company's business strategy and development requirements. We have developed a set of human resource development processes designed with an evolving organization in mind. In essence, the Human Resources Division submits an annual education and training plan to be approved at the beginning of each year, and later conducts periodic assessments of the effectiveness of the training programs throughout the year. This assessment is used as the basis for improving future plans.

- A. Education and training for senior management: Education and training for senior management: The training of our senior executives focuses on formulating business strategies which consist of recommendations provided by members of the Board to top management and supplemented by the analyses, investigations, and response strategies conducted by external consultants on actual case studies. This enables our top executives to assume leadership of the Company as well as maintain their strategic thinking and build up their forward-looking business strategy.
- B. Training for officers at all levels: We provide training for the Company's mid-level managers to accommodate their needs for handling daily tasks. We emphasize practical skills for our management and leadership teams such as delegation of work, performance evaluation, exception analysis, and horizontal communication, thus enabling our middle managers to learn how to manage teams and enhance their management capabilities while at work.
- C. Training in professional skills: Due to the nature of the industry in which the Company conducts business and our operating requirements, some duties involving the use of specialized skills, such as foreign exchange operations or quality inspection, require additional professional knowledge and technical background. Apart from the requirements that the education and work experience of the personnel involved in these types of work must be highly relevant, these employees should also attend regular external training courses or seminars to improve their sensitivity to the market and maintain the necessary level of professional expertise.
- D. Training for general employees: Training for employees below the managerial level is divided into pre and in-service training. Each employee will be given separate courses according to his or her job function. The courses emphasize improving work efficiency, taking the initiative to report to supervisors, handling problems, etc.

The training is also concurrently supplemented by permanent staff who provides instruction on routine work and the use of necessary tools so that new employees will be able to quickly adapt to their work duties. It is also expected that the results of the training program will be verified and carried out quickly and effectively.

In addition, the Company also offers employees the opportunities to participate in overseas training and a subsidy program to encourage them to learn foreign languages. These programs exemplify our commitment to and investment in the cultivation of talents.

3. Retirement programs and status of implementation:

The Labor Standards Act is applicable to the Company. However, in order to reward our employees for their dedication and to protect their livelihood, the Company established an Employee Pension Plan in 1982. Prior to 1991, 8% of actual total gross salary matched by the Company was set aside in a dedicated account for the pension plan, and starting in 1992, the percentage was changed to 4%. The Company has a sound retirement program, and according to the actuarial report, the fair value of the assets in our pension plan is NT\$41,315,000 as of year-end 2011. In addition, pursuant to the Labor Pension Act, the Company has adopted the new pension system and has been setting aside 6% of employees' monthly salary as employee pension since July 1, 2005.

4. 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.

5. 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.

5.5 Important Contracts

As of Dec. 31, 2011

Agreement	Counterparty	Period	Major Contents	Restrictions
AR Factoring Agreement	Taishin International Bank	May 31, 2011 to May 31, 2012	The agreement declared that the bank has no right of further recourse against Test-Rite.	According to the agreement, the bank should pay 90% of the proceeds to Test-Rite at the time of sale. Test-Rite only has to be responsible for loss that resulted from business disputes.
Lease Agreement	Tsai Wang Enterprise Company Limited	December 26, 2011 to December 25, 2017	Lease TR building	The yearly rent for the building is NTD\$28,000 million. During leasing year, the yearly rental has to be increased by 3% of previous year agreement
Long-term debt	The First Bank's Syndicate Loan	October 12, 2011 to June 24, 2016. June 24, 2011 to June 24, 2016.	Unsecured loan	Total Liabilities Ratio not more than 2 to 1. Current Ratio not more than 1 to 1. EBITDA Ratio greater than 2.5 to 1. Minimum Tangible Net Worth not less than \$5,200,000 thousand.
Long-term debt	Bank SinoPac Co., Ltd.	March 31, 2010 to March 31, 2013.	Unsecured loan	Total Liabilities Ratio not more than 2 to 1. Current Ratio not more than 1 to 1. EBITDA Ratio greater than 2.5 to 1. Minimum Tangible Net Worth not less than \$5,200,000 thousand.
Long-term debt	Taishin International Bank	July 20, 2011 to July 20, 2013.	Unsecured loan	Total Liabilities Ratio not more than 2 to 1. Current Ratio not more than 1 to 1.
Long-term debt	Jihsun Bank	December 29, 2011 to July 1, 2013.	Unsecured loan	Total Liabilities Ratio not more than 2 to 1. Current Ratio not more than 1 to 1.
Long-term debt	Taiwan Business Bank	November 22, 2010 to November 22, 2015.	Unsecured loan	N.A.
Long-term debt	Shanghai Commercial & Savings Bank	November 22, 2010 to November 22, 2014	Unsecured loan	N.A.
Long-term debt	Taiwan Business Bank's Syndicate Loan	October 26, 2009 to October 26, 2014.	Unsecured loan	Total Liabilities Ratio not more than 2 to 1. Current Ratio not more than 1 to 1. EBITDA Ratio greater than 3 to 1.
Long-term debt	Ta Chong Bank	May 16, 2008 to November 30, 2012.	Unsecured loan	Total Liabilities Ratio not more than 2 to 1. Current Ratio not more than 1 to 1. EBITDA Ratio greater than 2.5 to 1. Minimum Tangible Net Worth not less than \$5,200,000 thousand.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Unit : NTD\$ thousand

Item	Year	Five-Year Financial Summary					As of March 31, 2012(Note 2)
		2007	2008	2009	2010	2011(note1)	
Current assets		6,820,082	4,837,116	3,624,004	3,585,822	5,423,893	4,648,096
Funds & Long-term investments		6,370,826	8,533,082	8,923,554	9,640,944	9,555,569	10,058,991
Fixed assets		582,779	594,648	623,274	609,447	592,999	589,544
Intangible assets		12,863	12,168	48,609	63,453	53,836	50,006
Other assets		1,543,135	732,288	773,712	682,149	686,926	682,934
Total assets		15,329,685	14,709,302	13,993,153	14,581,815	16,313,223	16,029,571
Current liabilities	Before allocation	3,606,364	2,385,572	1,760,559	1,574,074	2,009,690	2,183,215
	After allocation	4,043,714	2,539,141	1,886,384	1,911,510	-	-
Long-term liabilities		2,800,000	4,500,000	3,966,667	4,819,980	5,950,590	5,356,630
Other liabilities		2,812,632	2,478,213	2,230,744	1,847,846	1,610,156	1,530,968
Total liabilities	Before allocation	9,218,996	9,363,785	7,957,970	8,241,900	9,570,436	9,070,813
	After allocation	9,656,346	9,517,354	8,083,795	8,579,336	-	-
Capital stock	Before allocation	4,652,434	4,736,660	5,312,228	5,164,228	5,074,228	5,074,228
	After allocation	4,736,660	4,812,228	5,312,228	5,164,228	-	-
Capital surplus		551,096	520,130	721,731	701,623	694,476	694,476
Retained earnings	Before allocation	1,198,051	910,300	833,878	1,082,099	1,354,667	1,622,619
	After allocation	676,475	675,440	708,053	744,663	-	-
Unrealized gain or loss on financial instruments		(13,107)	(9,385)	(267)	(4,134)	1,682	1,583
Cumulative translation adjustments		76,895	121,037	120,332	84,896	133,069	129,829
Net loss unrecognized as pension cost		(16,964)	(35,928)	(55,422)	(72,380)	(104,021)	(104,021)
Unrealized revaluation increments		-	-	-	-	25,825	25,825
Treasury stock		(337,716)	(897,297)	(897,297)	(616,417)	(437,139)	(485,781)
Total shareholders' equity	Before allocation	6,110,689	5,345,517	6,035,183	6,339,915	6,742,787	6,958,758
	After allocation	5,673,339	5,191,948	5,909,358	6,002,479	-	-

Note1: The earnings allocation plan is passed by the board of directors on April 25, 2012 and is up for voting at the shareholders' meeting.

Note2 : 2007-2011 financial data have been duly audited by independent auditors. 1Q/2012 financial data have been reviewed by independent auditors.

6.1.2 Condensed Statement of Income

Unit : NTD\$ thousand

Item \ Year	Five-Year Financial Summary					As of March 31, 2012
	2007	2008	2009	2010	2011	
Operating revenue	15,153,404	13,517,390	10,627,889	11,513,995	13,272,554	2,889,492
Gross profit	2,459,712	2,220,850	1,961,003	2,233,536	2,490,684	565,745
Income from operations	417,161	340,745	166,638	222,257	315,212	78,378
Non-operating income	683,003	376,692	283,473	534,982	538,244	386,263
Non-operating expenses	515,217	411,824	284,340	140,521	182,923	174,889
Income from operations of continued segments - before tax	584,947	305,613	165,711	616,718	670,533	289,752
Income from operations of continued segments - after tax	576,847	285,113	136,771	486,818	636,133	267,952
Income from discontinued operations	-	-	-	-	-	-
Extraordinary gain or loss	-	-	-	-	-	-
Cumulative effect of accounting principle changes	-	-	-	-	-	-
Net income	576,847	285,113	136,771	486,818	636,133	267,952
Earnings per share	1.28	0.64	0.31	1.01	1.27	0.55

Note 1 : 2007-2011 financial data have been duly audited by independent auditors. 1Q/2012 financial data have been reviewed by independent auditors.

6.1.3 Auditors' Opinions from 2007 to 2011

Year	CPA's Name	CPA's Opinion
2007	CHIU, MING YU, LU, CHI-CHANT	Unqualified opinion
2008	YU, HONG-BIN, LU, CHI-CHANT	modified Unqualified opinion
2009	YU, HONG-BIN, LU, CHI-CHANT	Unqualified opinion
2010	YU, HONG-BIN, LU, CHI-CHANT	Unqualified opinion
2011	YU, HONG-BIN, HUNG, KUO-TIEN	Unqualified opinion

6.2 Five-Year Financial Analysis

Item		Year	Financial analysis in the past five years					As of	
			2007	2008	2009	2010	2011	March 31, 2012	
Financial structure (%)	Ratio of liabilities to assets		60.14	63.66	56.87	56.52	58.67	56.59	
	Ratio of long-term capital to fixed assets		1,529.00	1,655.69	1,604.73	1,831.15	2,140.54	2,088.97	
Solvency (%)	Current ratio		189.11	202.77	205.84	227.81	269.89	212.90	
	Quick ratio		181.33	194.22	194.97	210.93	245.39	195.63	
	Times interest earned ratio		3.13	2.33	2.8	9.27	8.21	11.96	
AR/AP (turnover)	Accounts receivable turnover (turns)		5.58	4.53	3.76	4.57	4.17	-	
	Average collection period		65	81	97	80	88	-	
	Inventory turnover (turns)		131.12	128.86	121.66	134.38	92.88	-	
	Accounts payable turnover (turns)		11.88	11.75	9.64	11.54	11.79	-	
	Average days in sales		3	3	3	3	4	-	
	Fixed assets turnover (turns)		14.06	22.96	17.45	18.68	22.08	-	
	Total assets turnover (turns)		1.11	0.9	0.74	0.81	0.86	-	
Profitability	Return on total assets (%)		5.73	3.04	1.44	3.84	4.62	-	
	Return on stockholders' equity (%)		9.65	4.98	2.4	7.87	9.72	-	
	Ratio to issued capital (%)	Operating profit		8.97	7.1	3.14	4.30	6.21	-
		Pretax income		12.57	6.45	3.12	11.94	13.21	-
	Profit ratio (%)		3.81	2.11	1.29	4.23	4.79	9.27	
	Earnings per share (\$)		1.32	0.65	0.31	1.01	1.27	0.55	
Cash flow	Cash flow ratio (%)		8.25	13.97	31.88	19.83	18.47	-	
	Cash flow adequacy ratio (%)		32.66	26.02	23.36	21.16	17.49	-	
	Cash reinvestment ratio (%)		(0.35)	(0.75)	3.31	1.41	0.23	-	
Leverage	Operating leverage		2.96	3.52	6.75	5.26	4.43	3.93	
	Financial leverage		2.91	3.14	2.24	1.51	1.42	1.51	

Explanation for items in 2011 with major changes > 20% from the previous year :

1. The decrease in inventory turnover rate over the previous period was the result of increase in new category wins in N. American markets
2. The increase of average sales days was due to the decrease of the number of inventory turnover days .
3. The increase in return on assets over the previous period was due to an increase of after-tax profit .
4. The increase in return on equity over the previous period was due to an increase of after-tax profit for the current period by NT\$149,315,000.
5. The increase in the operating profit to total paid-in capital ratio over the previous period was due to the increase of operating profit for the current period by NT\$92,955,000 and a decrease in paid-in capital by NT\$90,000,000.
6. The increase in earnings per share over the previous period was due to the increase of after-tax profit by NT\$149,315,000.
7. The decrease in cash reinvestment ratio over the previous period was due to the decrease in net cash inflow from operating activities by NT\$593,037,000.

Note 1 : 2007-2011 financial data have been duly audited by independent auditors.

Note 2 : 1Q/2012 financial data have been reviewed by independent auditors.

Note 3 : 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: The General Meeting of Shareholders as of year 2011

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2011, and found the same to be true and correct. Therefore, the Supervisors' Report is hereby issued in accordance with Article 219 of Company Law.

Test Rite International Co., Ltd.

Supervisors: Tsai-Chi Co., Ltd.

Representative: Mr. Lai, Yung-Chi

Representative: Mr. Liao, Hsueh-Hsing

April 25, 2012

6.4 Consolidated Financial Statements for the Years Ended December 31, 2011 and 2010, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 29, 2012

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 2,095,773	8	\$ 1,111,270	5	Short-term bank borrowings (Note 17)	\$ 3,397,071	12	\$ 2,868,418	12
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	249,736	1	599,365	3	Short-term bills payable (Note 18)	159,842	1	41,000	-
Available-for-sale financial assets, current (Notes 2 and 6)	2,141	-	2,301	-	Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	33,755	-	15,234	-
Notes receivable (Notes 2 and 7)	39,343	-	63,970	-	Notes payable	21,100	-	16,270	-
Accounts receivable (Notes 2 and 7)	2,922,471	11	2,122,455	9	Accounts payable	4,450,756	16	3,196,463	14
Other receivables (Note 8)	310,823	1	278,056	1	Income tax payable (Notes 2 and 28)	180,359	1	150,784	1
Other financial assets, current	613	-	169	-	Other payables (Note 19)	1,860,066	7	1,785,795	8
Inventories (Notes 2 and 9)	5,928,469	21	4,735,730	20	Liability component of preferred stocks, current (Note 22)	335,361	1	-	-
Prepayments	915,460	3	761,037	3	Advance receipt	457,602	2	84,844	-
Other current assets	260,980	1	202,995	1	Current portion of long-term debt (Note 21)	-	-	12,188	-
Total current assets	<u>12,725,809</u>	<u>46</u>	<u>9,877,348</u>	<u>42</u>	Other current liabilities (Note 20)	582,137	2	409,036	2
					Total current liabilities	<u>11,478,049</u>	<u>42</u>	<u>8,580,032</u>	<u>37</u>
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Long-term equity investments at equity method (Note 10)	1	-	983	-	Long-term debt (Note 21)	7,150,590	26	5,660,510	25
Investments in real estate (Note 11)	14,177	-	14,277	-	Liability component of preferred stocks, noncurrent (Note 22)	-	-	326,996	1
Available-for-sale financial assets, noncurrent (Note 12)	30,450	-	29,209	-	Total long-term liabilities	<u>7,150,590</u>	<u>26</u>	<u>5,987,506</u>	<u>26</u>
Financial assets carried at cost, noncurrent (Note 13)	109,989	1	115,196	1	ESTIMATED LAND VALUE INCREMENT TAX PAYABLE	<u>41,791</u>	<u>-</u>	<u>36,740</u>	<u>-</u>
Bond investments without active market, noncurrent (Note 14)	50,000	-	50,000	-	OTHER LIABILITIES				
Total long-term investments	<u>204,617</u>	<u>1</u>	<u>209,665</u>	<u>1</u>	Accrued pension cost (Notes 2 and 23)	291,829	1	274,690	1
					Refundable deposits received	157,853	1	103,846	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 15)					Deferred credit (Note 15)	1,173,942	4	1,408,731	6
Cost					Other liabilities - others	37,654	-	46,292	-
Land	654,435	2	654,435	3	Total other liabilities	<u>1,661,278</u>	<u>6</u>	<u>1,833,559</u>	<u>8</u>
Buildings and improvements	3,367,858	12	1,515,629	7	Total liabilities	<u>20,331,708</u>	<u>74</u>	<u>16,437,837</u>	<u>71</u>
Machinery and equipment	921,239	3	940,148	4	EQUITY ATTRIBUTED TO STOCKHOLDERS OF THE PARENT				
Transportation equipment	106,930	1	106,782	-	Capital stock (Note 24)				
Other equipment	8,587,202	31	8,263,554	36	Common stock	5,074,228	18	5,164,228	22
Total cost	13,637,664	49	11,480,548	50	Capital surplus				
Revaluation increments	148,423	1	104,515	-	Additional paid-in capital	689,395	2	701,623	3
Less accumulated depreciation	(6,151,384)	(22)	(5,609,176)	(24)	Treasury stock transactions	5,081	-	-	-
Prepayments for property, plant and equipment	60,187	-	431,814	2	Retained earnings (Note 25)				
Property, plant and equipment, net	<u>7,694,890</u>	<u>28</u>	<u>6,407,701</u>	<u>28</u>	Legal reserve	744,159	3	706,610	3
					Unappropriated earnings	610,508	2	375,489	2
INTANGIBLE ASSETS (Note 2)					Other adjustments of stockholders' equity				
Patent	-	-	34	-	Cumulative translation adjustments	133,069	1	84,896	-
Computer software cost	209,675	1	85,943	-	Net loss not recognized as pension costs (Note 2)	(104,021)	-	(72,380)	-
Goodwill	3,647,854	13	3,636,378	16	Unrealized holding gain (loss) on available-for-sale financial assets (Note 2)	1,682	-	(4,134)	-
Deferred pension cost (Notes 2 and 23)	19,692	-	26,458	-	Unrealized revaluation increment	25,825	-	-	-
Total intangible assets	<u>3,877,221</u>	<u>14</u>	<u>3,748,813</u>	<u>16</u>	Treasury stock (Notes 2 and 26)	(437,139)	(2)	(616,417)	(3)
					Total equity attributed to stockholders of the parent	<u>6,742,787</u>	<u>24</u>	<u>6,339,915</u>	<u>27</u>
OTHER ASSETS (Notes 2 and 16)					MINORITY INTEREST	<u>487,913</u>	<u>2</u>	<u>393,598</u>	<u>2</u>
Refundable deposits paid	833,364	3	844,777	4	Total stockholders' equity	<u>7,230,700</u>	<u>26</u>	<u>6,733,513</u>	<u>29</u>
Deferred income tax assets, noncurrent (Note 28)	1,002,504	4	892,180	4	TOTAL	<u>\$27,562,408</u>	<u>100</u>	<u>\$23,171,350</u>	<u>100</u>
Other assets - others	1,224,003	4	1,190,866	5					
Total other assets	<u>3,059,871</u>	<u>11</u>	<u>2,927,823</u>	<u>13</u>					
TOTAL	<u>\$27,562,408</u>	<u>100</u>	<u>\$23,171,350</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 INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUE (Note 2)	\$35,877,572	100	\$32,608,038	100
OPERATING COST	<u>25,038,562</u>	<u>70</u>	<u>22,923,460</u>	<u>70</u>
GROSS PROFIT	10,839,010	30	9,684,578	30
OPERATING EXPENSES	<u>9,936,960</u>	<u>28</u>	<u>8,813,516</u>	<u>27</u>
OPERATING INCOME	<u>902,050</u>	<u>2</u>	<u>871,062</u>	<u>3</u>
NONOPERATING INCOME AND GAINS				
Interest income	20,947	-	20,397	-
Investment income recognized under equity method (Notes 2 and 10)	-	-	301	-
Gain on disposal of property, plant and equipment	297	-	2,353	-
Foreign exchange gain, net	89,328	-	14,143	-
Gain on valuation of financial assets	37,641	-	152,252	-
Gain on valuation of financial liabilities	10,273	-	-	-
Others	<u>304,529</u>	<u>1</u>	<u>252,190</u>	<u>1</u>
Total non operating income and gains	<u>463,015</u>	<u>1</u>	<u>441,636</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	210,536	1	183,066	1
Investment loss recognized under equity method (Notes 2 and 10)	2,789	-	-	-
Loss on disposal of property, plant and equipment	12,242	-	70,374	-
Loss on disposal of investments, net	3,437	-	4,052	-
Amortization of liability component of preferred stocks, noncurrent	8,365	-	8,365	-
Dividends paid on liability component of preferred stocks, noncurrent	14,000	-	14,000	-
Impairment loss	3,713	-	2,683	-
Loss on valuation of financial liabilities	-	-	14,836	-
Others	<u>167,961</u>	<u>-</u>	<u>143,679</u>	<u>-</u>
Total nonoperating expenses and losses	<u>423,043</u>	<u>1</u>	<u>441,055</u>	<u>1</u>
INCOME BEFORE INCOME TAX	942,022	2	871,643	3
INCOME TAX EXPENSE (Notes 2 and 28)	<u>(128,917)</u>	<u>-</u>	<u>(251,477)</u>	<u>(1)</u>
TOTAL CONSOLIDATED NET INCOME	<u>\$ 813,105</u>	<u>2</u>	<u>\$ 620,166</u>	<u>2</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
ATTRIBUTED TO				
Parent company's stockholders	\$ 636,133	2	\$ 486,818	2
Minority interest	<u>176,972</u>	<u>-</u>	<u>133,348</u>	<u>-</u>
	<u>\$ 813,105</u>	<u>2</u>	<u>\$ 620,166</u>	<u>2</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 24)				
Basic earnings per share before distribution to minority interest	<u>\$ 1.87</u>	<u>\$ 1.62</u>	<u>\$ 1.80</u>	<u>\$ 1.28</u>
Basic earnings per share attributed to parent company's stockholders		<u>\$ 1.27</u>		<u>\$ 1.01</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 24)				
Diluted earnings per share before distribution to minority interest	<u>\$ 1.86</u>	<u>\$ 1.61</u>	<u>\$ 1.80</u>	<u>\$ 1.27</u>
Diluted earnings per share attributed to parent company's stockholders		<u>\$ 1.26</u>		<u>\$ 1.00</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 STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	Other Adjustments of Stockholders' Equity											Total
	Capital Stock Common Stock	Capital Surplus		Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Unrealized Holding Gain (Loss) on Available- for-sale Financial Assets	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	
		Additional Paid-in Capital	Treasury Stock Transactions	Legal Reserve	Unappropri- ated Earnings							
BALANCE, JANUARY 1, 2010	\$5,312,228	\$ 721,731	\$ -	\$ 692,933	\$ 140,945	\$ 120,332	\$ (55,422)	\$ (267)	\$ -	\$ (897,297)	\$ 411,745	\$6,446,928
Appropriation and distribution of 2009 net income (Note 24)												
Legal reserve	-	-	-	13,677	(13,677)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(125,825)	-	-	-	-	-	-	(125,825)
Retirement of treasury stock (Note 26)	(148,000)	(20,108)	-	-	(112,772)	-	-	-	-	280,880	-	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	(35,436)	-	-	-	-	32,828	(2,608)
Net loss not recognized as pension cost	-	-	-	-	-	-	(16,958)	-	-	-	(5,697)	(22,655)
Unrealized valuation loss of available-for-sale financial assets	-	-	-	-	-	-	-	(3,867)	-	-	(1,982)	(5,849)
Minority interest	-	-	-	-	-	-	-	-	-	-	(176,644)	(176,644)
Total consolidated income for 2010	-	-	-	-	486,818	-	-	-	-	-	133,348	620,166
BALANCE, DECEMBER 31, 2010	5,164,228	701,623	-	706,610	375,489	84,896	(72,380)	(4,134)	-	(616,417)	393,598	6,733,513
Appropriation and distribution of 2010 net income (Note 24)												
Legal reserve	-	-	-	37,549	(37,549)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(337,436)	-	-	-	-	-	-	(337,436)
Treasury stock transfer to employees (Notes 2 and 26)	-	-	93,189	-	-	-	-	-	-	445,612	-	538,801
Increase in treasury stock (Notes 2 and 26)	-	-	-	-	-	-	-	-	-	(456,670)	-	(456,670)
Retirement of treasury stock (Note 26)	(90,000)	(12,228)	(88,108)	-	-	-	-	-	-	190,336	-	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	48,173	-	-	-	-	(8,528)	39,645
Net loss not recognized as pension costs	-	-	-	-	-	-	(31,641)	-	-	-	1,617	(30,024)
Unrealized valuation gain of available-for-sale financial assets	-	-	-	-	-	-	-	5,816	-	-	(52)	5,764
Land revaluation increment	-	-	-	-	-	-	-	-	25,825	-	13,032	38,857
Effect of changes in percentage of ownership of long-term equity investments	-	-	-	-	(26,129)	-	-	-	-	-	26,129	-
Minority interest	-	-	-	-	-	-	-	-	-	-	(114,855)	(114,855)
Total consolidated income for 2011	-	-	-	-	636,133	-	-	-	-	-	176,972	813,105
BALANCE, DECEMBER 31, 2011	\$5,074,228	\$ 689,395	\$ 5,081	\$ 744,159	\$ 610,508	\$ 133,069	\$ (104,021)	\$ 1,682	\$ 25,825	\$ (437,139)	\$ 487,913	\$7,230,700

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	\$ 813,105	\$ 620,166
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred charges on long-term debt	300	300
Depreciation and amortization	989,960	891,238
Amortization of liability component of preferred stocks, noncurrent	8,365	8,365
Gain on valuation of financial assets	(37,641)	(152,252)
(Gain) loss on valuation of financial liabilities	(10,273)	14,836
Investment loss (gain) recognized under equity method	2,789	(301)
Net loss (gain) on disposal of available-for-sale financial assets, noncurrent	4,334	(264)
Impairment loss	3,713	2,683
Net loss on disposal of property, plant and equipment	11,810	5,127
Loss on abandoned property, plant and equipment	135	62,894
Amortization of unrealized gain on sale-leaseback	(234,788)	(234,788)
Compensation cost of employee stock options	54,239	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	387,270	281,860
Available-for-sale financial assets, current	-	3,014
Notes receivable	24,627	4,876
Accounts receivable	(800,016)	(569,998)
Other receivables	(31,559)	37,955
Other financial assets, current	(444)	8,309
Inventories	(1,192,739)	(650,567)
Prepayments	(154,423)	(91,745)
Deferred income tax assets, current	8,230	17,032
Other current assets	(66,215)	(752)
Deferred income tax assets, noncurrent	(110,324)	23,150
Other assets	(92,962)	123,379
Financial liabilities at fair value through profit or loss, current	28,794	(21,280)
Notes payable	4,830	7,906
Accounts payable	1,254,293	317,934
Income tax payable	29,575	(17,541)
Other payables	213,637	371,881
Advance receipt	372,758	(182,854)
Deferred income tax liabilities, current	12,000	-
Other current liabilities	161,101	4,594
Financial liabilities at fair value through profit or loss, noncurrent	-	(11,130)
Deferred income tax liabilities, noncurrent	262	180
Other liabilities	(16,501)	47,568
Net cash provided by operating activities	<u>1,638,242</u>	<u>921,775</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financing deposits	\$ -	\$ (2,401)
Increase in long-term equity investments at equity method	-	(637)
Decrease (increase) in available-for-sale financial assets, noncurrent	348	(3,523)
Proceeds from decreased capital stock of financial assets carried at cost, noncurrent	2,195	3,216
Decrease in financial assets carried at cost, noncurrent	-	9,950
Acquisition of property, plant and equipment	(2,253,277)	(966,377)
(Increase) decrease in goodwill	(11,476)	6,984
Decrease (increase) in refundable deposits paid	11,413	(61,688)
Decrease in restricted assets	-	35,380
Increase in deferred charges	<u>(196,552)</u>	<u>(82,009)</u>
Net cash used in investing activities	<u>(2,447,349)</u>	<u>(1,061,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank borrowings	528,653	(135,928)
Increase (decrease) in short-term bills payable	118,842	(39,000)
Increase in long-term debt	1,477,892	306,680
Increase in refundable deposits received	54,007	101,721
Payment of cash dividends	(337,436)	(125,825)
Proceeds from treasury stock transferred to employees	484,562	-
Increase in treasury stock	(456,670)	-
Decrease in minority interest	<u>(114,855)</u>	<u>(176,644)</u>
Net cash provided by (used in) financing activities	<u>1,754,995</u>	<u>(68,996)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>38,615</u>	<u>(685)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	984,503	(209,011)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,111,270</u>	<u>1,320,281</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$2,095,773</u>	<u>\$1,111,270</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	<u>\$ 218,534</u>	<u>\$ 179,981</u>
Income tax	<u>\$ 186,949</u>	<u>\$ 280,166</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES

Translation adjustments on long-term equity investments	<u>\$ 1,030</u>	<u>\$ (1,923)</u>
Net loss not recognized as pension costs	<u>\$ (30,024)</u>	<u>\$ (22,655)</u>
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 5,764</u>	<u>\$ (5,849)</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Transfer of long-term equity investments to deferred credits	<u>\$ 1,478</u>	<u>\$ -</u>
Current portion of long-term debt	<u>\$ -</u>	<u>\$ 12,188</u>
Land revaluation increment	<u>\$ 25,825</u>	<u>\$ -</u>
Retirement of treasury stock	<u>\$ 190,336</u>	<u>\$ 280,880</u>
CASH PAID DURING THE YEAR FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment acquired	\$2,113,912	\$1,096,845
Add liabilities for acquisition of property, plant and equipment at the beginning of year	207,049	76,581
Deduct liabilities for acquisition of property, plant and equipment at the end of year	<u>(67,684)</u>	<u>(207,049)</u>
Cash paid during the year for acquisition of property, plant and equipment	<u>\$2,253,277</u>	<u>\$ 966,377</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

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

Test-Rite International Co., Ltd. ("Test-Rite") was established in August 1978 with an initial capital of \$2,000 thousand.

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

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

Information of Subsidiaries

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated Financial Statement in 2011 and 2010
			2011.12.31	2010.12.31	
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	Completed liquidation in April 2011
Test-Rite Fortune Co., Ltd.	Directly held 100.00%	Investment holding company	-	100.00	
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	100.00	
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
B&S Link Co., Ltd. (Cayman)	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Pte. Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Int'l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Vietnam Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Canada Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite (UK) Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Development Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Int'l (U.S.) Co., Ltd.	Directly held 49.00% and controllable investee	Importation and exportation	49.00	49.00	
Test-Rite Int'l (Thailand) Ltd.	Directly held 48.99% and controllable investee	Importation and exportation	48.99	48.99	
Lih Chiou Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Lih Teh International Co.,	Directly held	Logistics services	100.00	100.00	

Ltd. B&S Link Co., Ltd.	100.00% Directly held 100.00%	Providing information software and electronic information	100.00	100.00	
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	
Test-Rite Retail Co., Ltd.	Directly and indirectly held 100.00%	Sale of house decoration hardware and construction materials	100.00	100.00	

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated Financial Statement in 2011 and 2010
			2011.12.31	2010.12.31	
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 66.03%	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) kitchen and bathroom equipment (4) import and export business related to the aforementioned products	68.27	66.03	Completed dissolution in September 2011 and started to undergo liquidation
Coalue Consultant Co., Ltd.	Lih Teh International held 80.00%	Consultant of business operation	-	80.00	
Hola Homefurnishings Co., Ltd.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Homy Homefurnishings Co., Ltd.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Freer Inc.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Tony Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Build and civil engineering	100.00	100.00	
Test Cin M&E Engineering Co., Ltd.	Chung Chin Enterprise held 100.00%	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Interior Design Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Interior design	100.00	100.00	
Tony Investment Co., Ltd.	Tony Construction held 100.00%	Investment in various industries	100.00	100.00	
Viet Han Co., Ltd.	Chung Chin Enterprise held 51.00%	Importation and exportation	51.00	51.00	
Test-Rite Home Service Co., Ltd.	Test-Rite Retail held 100.00%	Interior design	100.00	100.00	
Lucky International (Samoa) Ltd.	Tong Lung Metal Industry held 100%	Investment	68.27	66.03	
Tong Lung (Philippines) Metal Industry Co., Inc.	Lucky International (Samoa) Ltd. held 100%	The manufacture and fabrication of various lock	68.27	66.03	

(Concluded)

As of December 31, 2011 and 2010, Test-Rite and subsidiaries (collectively, the “Company”) had 8,324 and 8,037 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The Company's significant accounting policies are summarized as follows:

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of Test-Rite and its subsidiaries (see Note 1). All significant intercompany balances and transactions have been eliminated upon consolidation. For the information about the subsidiaries and reasons for not including in consolidated financial statements in 2011 and 2010, please see Note 1.

- a. The subsidiaries not included in the consolidated financial statements for 2011 and 2010: All subsidiaries were included.
- b. The difference in the fiscal period between parent company and subsidiaries: None.
- c. Special risks of business operation of subsidiaries overseas: None.

Foreign Currencies

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Shareholders' equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in bookkeeping currency at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders'

equity;

- b. Recognized in profit and loss if the changes in fair value are recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Accounting Estimates

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, sales discounts, allowance for loss on inventories, depreciation and impairment of property, plant and equipment, income tax, pension cost, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash equivalents, consisting of commercial paper, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Instruments at Fair Value through Profit or Loss, Current

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value plus transaction cost. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

Marketable securities are stated at the closing price at the balance sheet date. The fair value of open-end mutual fund, oversea mutual fund and REITs are the published fair value per unit at the balance sheet date. The fair value of bonds is determined by prices quoted by the Taiwan GreTai Securities Market.

Impairment of Accounts Receivable

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable.

On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

Factoring of Accounts Receivable

According to Statement of Financial Accounting Standards No. 33 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a transfer of financial assets (all or a portion of a financial asset) in which the transferor surrenders control over those financial assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by category, except where it may be appropriate to group similar or related categories. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded using the moving average method; the allowance for inventory devaluation is established by examining the inventory aging and turnover ratio 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.

Long-term Equity Investments at Equity Method

Investments in companies in which the Company's ownership interest is 20% or more, or where the Company can exercise significant influence, are accounted for using the equity method of accounting.

Under the equity method of accounting, the cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the excess of the cost of the investment over the fair value of identifiable net assets, representing goodwill, is not amortized but tested for impairment annually.

If an investee company issues new shares and the Company does not purchase new shares

proportionately, then the ownership percentage and the equity in net assets of the investee will be changed. Such difference will be adjusted in the additional paid-in capital and the long-term equity investments accounts. If the adjustment stated above is to debit the additional paid-in capital account and the balance of additional paid-in capital from long-term equity investments is not enough to be offset, retained earnings will be debited for the remaining amount.

If the Company's share of an investee company's losses equals to or exceeds the carrying amount of an investment accounted for under the equity method and the Company guarantees obligations of an investee company, or is otherwise committed to provide further financial support to an investee company, or an investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company continues to recognize investment losses in proportion to the stock ownership percentage. Such credit balance on the book value of long-term equity investments is treated as a liability on the balance sheet.

Investment in Real Estate

Depreciation of real estate for lease classified under long-term investments is provided over the lease term of 55 years.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment to stockholders' equity. When the financial assets are derecognized, the related accumulated fair value changes are recognized in the profit or loss. All regular way purchase or sale of financial assets are recognized and derecognized on a trade date basis.

Marketable securities are stated at the closing price at the balance sheet date. Open-end mutual fund and REITs are stated at the published fair value per unit at the balance sheet date.

The recognition, derecognition and the fair value base of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are accounted for as reductions of the carrying amount of the investment if they are received in the year of acquisition; otherwise, they are recognized as dividend revenue if received after the year of acquisition. Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence showing that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss.

Financial Assets Carried at Cost

Equity instruments, including unlisted stocks, are measured by the original cost since their fair value cannot be reliably measured. The accounting treatment for dividends received is similar to that for available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment and the impairment loss can not be reversed.

Bond Investments Without Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the assets are capitalized. Interest is capitalized during the construction period.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is charged to non-operating income or expenses.

Depreciation is provided using the straight-line method over the estimated service lives of the assets. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

Buildings and improvements	3-60 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

Impairment loss is recognized immediately for any significant decline in the value of property, plant and equipment. If the loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is immediately recognized as gain.

Intangible Assets

Computer software is amortized on the straight-line method over 3 to 5 years. Patents are amortized by the straight-line method over a five-year period.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Deferred Charges

Deferred charges are amortized on the straight-line method over 2 to 5 years.

Allowance for Indemnity Losses on Export

The indemnity losses on export sales should be estimated and expensed at the time of sale. Allowance for indemnity losses on export is debited when the indemnity losses are paid and indemnity losses paid in excess of the allowance for indemnity losses on export are charged to expense.

Convertible Preferred Stocks

Convertible preferred stocks should be accounted for in accordance with Statement of Financial Accounting Standards No. 36, "Financial Instruments: Recognition and Measurement." Embedded derivatives, such as conversion option and put option with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract are separated from the host contract. Conversion option, giving stockholders contractual right to receive a fixed number of the Company's common stock for a fixed stated principal amount of the preferred stocks, is initially recognized at fair value as "capital surplus - conversion option." Put option is initially recognized as "financial liabilities at fair value through profit or loss." When fair value is subsequently measured, the changes in fair value are recognized in current income. The carrying value of host contract is measured at amortized cost using the effective interest rate method and recognized as "liability component of preferred stock;" the related interest expense is recognized in current income.

When the preferred stockholders exercise the conversion option, the Company shall adjust the carrying value of "financial liabilities at fair value through profit or loss" to fair value and "liability component of preferred stock" to amortized cost by the effective interest rate method. The aforesaid carrying value of the preferred stocks and put option is credited to capital stock accounts as well as "capital surplus - conversion option."

If the preferred stockholders can exercise put option within one year after the balance sheet date, liability component of preferred stocks and the embedded derivative shall be classified as current liabilities. However, when the put option expires, unexercised liability component of preferred stocks and the embedded derivatives shall be reclassified to noncurrent liabilities.

If the put option expires without exercise, the carrying amount of the put option is reclassified to capital surplus if the market value of convertible share is higher than the strike price; otherwise, the put option shall be credited or charged to current income.

Retirement Plan

Pension cost under a defined benefit plan is determined by actuarial valuations. If the amount contributed to the plan assets by the employer is less than the net pension cost, then the difference shall be recognized as an accrued pension liability; and if the amount contributed is larger, then the difference shall be recognized as a prepaid pension cost. If the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation, then the deferred pension cost account shall be charged; if the amount of additional liability exceeds the sum, the excess shall be charged to the net loss not yet recognized as net pension cost account.

Curtailement or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Treasury Stock

Treasury stock is Test-Rite's own stock acquired according to the Stock Exchange Law. When Test-Rite does not dispose or write off these stocks, their cost is listed as a deduction of stockholders' equity.

When treasury stock is retired, the capital surplus - additional paid-in capital account and capital stock account should be debited according to the ratio of the retired treasury shares to the total issued shares. If the book value of the treasury stock being retired exceeds the sum of its aggregate par value and capital surplus - additional paid-in capital, the excess is debited to capital surplus from treasury stock transactions. If the capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings. If the book value of the treasury stock being retired is less than the sum of its aggregate par value and capital surplus - additional paid-in capital, the difference is credited to the capital surplus from treasury stock transactions.

Treasury stocks transferred to employees on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 (SFAS No. 39) and Interpretation 2007-266 both issued by the ARDF; accordingly, the Company recognized the value of the reserved shares as an expense. Employee stock options granted are accounted for under SFAS No. 39, which provides that the value of equity instruments granted shall be measured at fair value. And the fair value is based on external pricing experts' calculation of fair value of the equity instruments using the applicable pricing model.

Test-Rite measures the fair value of employee stock option granted by Black-Scholes Model. The inputs to the model are the best available estimate of exercise price, expected life, grant-date share price, expected volatility, expected dividend yield and risk-free interest rate. The grant date is cash dividends date. If the date of cash dividends should be approved by the Board of Directors, the grant date is the date of directors' meeting.

Test-Rite adopted the provisions of Statement of Financial Accounting Standards No. 30 "Accounting for Treasury Stock."

Income Tax

The consolidated income tax of the Company is the summary of the income tax of the consolidated entities. The Company adopted the provisions of Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax," which require asset and liability approach to financial accounting and reporting for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

Under the Amended Income Tax Law of the ROC, undistributed earnings of holding company are subject to 10% additional income tax. Such tax is to be reported as income tax expense in the following year when the decision to retain the earnings is made by the stockholders in their meeting.

Earnings Per Share

Basic earnings per share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is the amount of earnings (or loss) attributable to each share of common stock under the assumption that all dilutive potential common shares have been converted, exercised or that all contingently issuable shares have been issued.

Sales, Sales Returns and Allowances

Sales are recognized when title of the products and the risks of ownership are transferred to customers, primarily upon shipment.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2011.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Company under the scope of SFAS No. 34. This accounting change did not have any effect on the Company's consolidated financial statements for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes

SFAS No. 20, "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Cash on hand	\$ 28,399	\$ 16,979
Petty cash	27,240	28,051
Checking deposits	25,971	23,078
Savings deposits	1,149,998	410,480
Foreign currency deposits	814,396	489,101
Time certificates of deposit	25,298	103,576
Cash equivalents	<u>24,471</u>	<u>40,005</u>
	<u>\$2,095,773</u>	<u>\$1,111,270</u>

As of December 31, 2011 and 2010, the time certificates of deposit of Tong Lung of \$2,415 thousand and \$2,410 thousand, respectively, which were pledged as collaterals for purchases of raw materials were reclassified to refundable deposits paid.

As of December 31, 2011 and 2010, the time certificates of deposit of Tony Construction of \$24,860 thousand and \$88,034 thousand, respectively, which were pledged as collaterals for warranties of construction were reclassified to refundable deposits paid.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Financial assets held for trading - current		
Equity securities listed in open market	\$ 7,358	\$ 46,206
Open-end funds	80,472	462,617
Corporate bonds	11,127	266
Receivable on forward contracts, net	150,289	84,351
Receivable on short selling stocks	490	-
Offshore mutual funds	-	2,554
Trusted funds of real estate	<u>-</u>	<u>3,371</u>
	<u>\$249,736</u>	<u>\$599,365</u>
Financial liabilities held for trading - current		
Payable on forward contracts, net	\$ 11,975	\$ 825
Put option on convertible preferred stocks (see Note 22)	19,950	13,895
Metal commodity futures contracts	1,340	-
Payable on short selling stocks	490	-
Cross-currency swap contracts	<u>-</u>	<u>514</u>

\$ 33,755 \$ 15,234

The Company entered into derivative contracts during the years ended December 31, 2011 and 2010 to manage exposures to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Equity securities listed in open market	\$ 1,521	\$ 1,470
Beneficiary certificate of domestic funds	<u>620</u>	<u>831</u>
	<u>\$ 2,141</u>	<u>\$ 2,301</u>

7. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Non-related parties		
Notes receivable	\$ 39,343	\$ 63,970
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>39,343</u>	<u>63,970</u>
Accounts receivable	2,972,278	2,138,587
Less allowance for doubtful accounts	<u>(49,807)</u>	<u>(16,132)</u>
	<u>2,922,471</u>	<u>2,122,455</u>
	<u>\$2,961,814</u>	<u>\$2,186,425</u>

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

Test-Rite Int'l (U.S.) concluded accounts receivable factoring agreement with Taipei Fubon Bank in 2011, the agreement declared that the bank has no right of further recourse against Test-Rite Int'l (U.S.). According to the agreement, the bank should pay 80% of the proceeds to Test-Rite Int'l (U.S.) at the time of sale. Test-Rite Int'l (U.S.) only has to be responsible for loss that resulted from business disputes.

As of December 31, 2011 and 2010, the accounts receivable factoring was 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 (Note 6)	Interest Rates on Advances Received (%)	Retention for Factoring (Note 7)	Credit Line	Collateral
<u>2011</u>									
Taishin International Bank	<u>\$ 56,523</u> (Note 2)	<u>\$ 46,524</u> (Note 3)	<u>\$ 79,649</u> (Note 4)	<u>\$ 23,398</u> (Note 5)	<u>\$ 21,058</u> (Note 6)	2.10	<u>\$ 2,340</u> (Note 7)	US\$ 6,200,000	US\$ 620,000
Taipei Fubon Bank	<u>\$273,616</u> (Note 8)	<u>\$ 3,207,293</u> (Note 9)	<u>\$ 3,109,957</u> (Note 10)	<u>\$370,952</u> (Note 11)	<u>\$296,761</u> (Note 12)	60 days Libor+1.4%	<u>\$ 74,191</u> (Note 13)	-	-
<u>2010</u>									
Taishin International Bank	<u>\$ 34,045</u> (Note 2)	<u>\$ 71,175</u> (Note 3)	<u>\$ 50,862</u> (Note 4)	<u>\$ 54,358</u> (Note 5)	<u>\$ 48,922</u> (Note 6)	1.63	<u>\$ 5,436</u> (Note 7)	US\$ 9,200,000	US\$ 920,000
UPS & Fubon	<u>\$258,329</u> (Note 8)	<u>\$ 2,227,885</u> (Note 9)	<u>\$ 2,223,077</u> (Note 10)	<u>\$263,137</u> (Note 11)	<u>\$236,823</u> (Note 12)	90 days Libor+3%	<u>\$ 26,314</u> (Note 13)	-	-

Note 1: Balance at end of year of factored receivables had been derecognized as accounts receivable.

Note 2: US\$1,866,058; US\$1,168,725.

Note 3: US\$1,535,946; US\$2,443,375.

Note 4: US\$2,629,529; US\$1,746,042.

Note 5: US\$772,475; US\$1,866,058.

Note 6: US\$695,228; US\$1,679,452.
 Note 7: US\$77,247; US\$186,606.
 Note 8: US\$9,033,200; US\$8,868,130.
 Note 9: US\$105,886,207; US\$76,480,781.
 Note 10: US\$102,672,737; US\$76,315,711.
 Note 11: US\$12,246,670; US\$9,033,200.
 Note 12: US\$9,797,336; US\$8,129,880.
 Note 13: US\$2,449,334; US\$903,320.

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

Retention for factoring was reported under other receivables (see Note 8).

8. OTHER RECEIVABLES

Other receivables as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Retention for factoring (see Note 7)	\$ 76,531	\$ 31,750
Commissions receivable	30,177	17,718
Value added tax refunds receivable	22,320	20,831
Receivables from related parties (see Note 29)	5,400	5,809
Others	<u>176,395</u>	<u>201,948</u>
	<u>\$310,823</u>	<u>\$278,056</u>

Receivables from related parties include amounts related to operating expense payments made by Test-Rite on behalf of its affiliates.

Others mainly include miscellaneous expenses paid by Test-Rite on behalf of its suppliers.

9. INVENTORIES

Inventories as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Merchandise - retail	\$3,606,406	\$3,076,471
Merchandise - trade	1,589,063	693,306
Raw materials	389,106	537,650
Work-in-process	144,882	133,429
Finished goods	74,414	44,177
Merchandise - manufacturing	59,004	59,512
Construction in progress	<u>65,594</u>	<u>191,185</u>
	<u>\$5,928,469</u>	<u>\$4,735,730</u>

As of December 31, 2011 and 2010, the allowance for inventory devaluation was \$73,625 thousand and \$186,628 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2011 and 2010 was \$23,483,065 thousand and \$21,660,753 thousand, respectively. The operating cost included reversal of inventory

devaluation in the amount of \$5,135 thousand and loss on physical inventory count in the amount of \$72,341 thousand for the year ended December 31, 2011; the operating cost included inventory devaluation in the amount of \$22,448 thousand and loss on physical inventory count in the amount of \$63,026 thousand for the year ended December 31, 2010.

Merchandise - retail is the inventories of TR Retailing and Test-Rite Retail.

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

Raw materials, work-in-process, finished goods and merchandise - manufacturing are the inventories of Tong Lung.

Construction in progress is the inventories of Tony Construction, Test Cin M&E Engineering, Chung Cin Interior Design Construction, Test-Rite Home Service and Viet Han.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

Long-term equity investments at equity method as of December 31, 2011 and 2010 consisted of the following:

	2011			2010	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Int'l (Mexico) Ltd.	<u>\$ 4,493</u>	<u>\$ 1</u>	49.00	<u>\$ 983</u>	49.00

Equities in (loss) earnings of TR Mexico for the years ended December 31, 2011 and 2010 were summarized as follows:

	2011	2010
TR Mexico	<u>\$(2,789)</u>	<u>\$ 301</u>

TR Mexico is engaged in importation and exportation.

11. INVESTMENTS IN REAL ESTATE

	2011	2010
Land	\$10,228	\$10,228
Buildings and improvement	<u>5,634</u>	<u>5,634</u>
	15,862	15,862
Accumulated depreciation	<u>(1,685)</u>	<u>(1,585)</u>
	<u>\$14,177</u>	<u>\$14,277</u>

The above real estate investments of Lih Teh have been leased to third party.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2011	2010
Trusted funds of real estate	\$30,000	\$30,000
Offshore listed stocks	-	4,682
Unrealized gain (loss) on available-for-sale financial assets	<u>450</u>	<u>(5,473)</u>
	<u>\$30,450</u>	<u>\$29,209</u>

13. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	December 31, 2011			December 31, 2010	
	Original Accumulated Cost	Carrying Value	Ownership Percentage%	Carrying Value	Ownership Percentage%
Hwa Jan International Co., Ltd. (Samoa)	\$ 9,849	\$ 9,208	19.00	\$ 8,856	19.00
TEPRO	430	343	10.00	340	10.00
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	5.00	40,000	5.00
NCTU Springl Technology Capital Co., Ltd.	4,032	4,032	4.69	6,032	4.69
Yuan Chuang Co., Ltd.	1,755	1,755	1.50	1,950	1.67
Techgains Pan-Pacific Co., Ltd.	19,191	18,558	0.81	18,210	0.81
Quartz Frequency Technology Co., Ltd.	750	750	0.43	750	0.43
Taiwan Finance Co., Ltd.	2,120	2,120	0.04	2,120	0.04
Highlight Optoelectronics Inc.	-	-	-	3,713	0.88
Emit Technology Co., Ltd.	-	-	-	2	-
Nucom International Co., Ltd.	37,086	27,400	1.57	27,400	1.57
Hong Da Electronic Co., Ltd.	2,000	-	0.72	-	0.72
Yieh United Steel Co., Ltd.	3,920	3,920	0.02	3,920	0.02
Shanghai Commercial & Saving Bank, Ltd.	1,903	1,903	-	1,903	-
China Semiconductor Co., Ltd.	<u>767</u>	<u>-</u>	-	<u>-</u>	-
	<u>\$ 123,803</u>	<u>\$ 109,989</u>		<u>\$ 115,196</u>	

The stocks and other investments mentioned above do not have open pricing and reliable fair value, thus they are carried at cost.

14. BOND INVESTMENTS WITHOUT ACTIVE MARKET, NONCURRENT

	December 31, 2011			December 31, 2010	
	Original Accumulated Cost	Carrying Value	Ownership Percentage %	Carrying Value	Ownership Percentage %
Subordinated bond of Ta Chong Bank	<u>\$ 50,000</u>	<u>\$ 50,000</u>	-	<u>\$ 50,000</u>	-

Subordinated bond of Ta Chong Bank: The face value per unit is \$10,000 thousand and the total value is \$50,000 thousand; the issuance date is November 27, 2006; interest rate is 5.5% for the first ten years and is increased to 6.5% from the eleventh year if the bonds have not been redeemed. Interest is paid annually.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2011 and 2010 consisted of the following:

	2011				2010
	Original Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 654,435	\$ 148,423	\$ -	\$ 802,858	\$ 758,950
Buildings and improvements	3,367,858	-	387,897	2,979,961	1,079,617
Machinery and equipment	921,239	-	805,627	115,612	174,058
Transportation equipment	106,930	-	67,584	39,346	41,460
Furniture, fixtures and office equipment	286,633	-	189,152	97,481	112,693
					(Continued)
	2011				2010
	Original Cost	Revaluation Increment	Accumulated Depreciation	Carrying Value	Carrying Value
Leasehold improvements	\$ 6,413,954	\$ -	\$ 3,423,391	\$ 2,990,563	\$ 3,165,228
Molds and tools	139,693	-	71,141	68,552	95,819
Other equipment	1,746,922	-	1,206,592	540,330	548,062
Prepayments for property, plant and equipment	60,187	-	-	60,187	431,814
	<u>\$13,697,851</u>	<u>\$ 148,423</u>	<u>\$ 6,151,384</u>	<u>\$ 7,694,890</u>	<u>\$ 6,407,701</u>
					(Concluded)

As of December 31, 2011 and 2010, the cost of the leased-out land of Test-Rite was \$267,519 thousand and \$267,519 thousand and the carrying value of leased-out buildings and improvements was \$234,757 thousand and \$244,019 thousand, respectively.

Revaluation increments are recognized on assets of Tong Lung.

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Test-Rite recorded \$2,347,885 thousand unrealized gain, which is amortized over a 10-year lease term. For the years ended December 31, 2011 and 2010, the amortization of unrealized gain was \$234,788 thousand, which was treated as a reduction of rental cost. As of December 31, 2011 and 2010, the unrealized gain was \$1,408,731 thousand and \$1,643,520 thousand, respectively, which were recorded: The current portion of \$234,789 thousand as other current liabilities and the noncurrent portion of \$1,173,942 thousand and \$1,408,731 thousand, respectively, as other liabilities - deferred credit.

The owner of the property mentioned above leased to Test-Rite had sold the building to Tsai Wang Enterprise, a related party of Test-Rite, on September 7, 2011. Thus, Tsai Wang Enterprise became the lessor of the building. There were no major differences as to the principal terms of lease contract between the renewal and the original. Rental of \$87,548 thousand, before amortization of unrealized gain, was paid to the related party.

As of December 31, 2011 and 2010, the carrying values of property, plant and equipment of Tong Lung, Jiashan Te-Cheng Wood Industrial, Test-Rite Business Development, and TR Thailand, pledged as collaterals to banks to secure short-term and long-term debts were as follows (see Note 30):

	2011	2010
Land	\$247,665	\$208,875
Buildings and improvements	<u>156,116</u>	<u>297,950</u>
	<u>\$403,781</u>	<u>\$506,825</u>

16. OTHER ASSETS

Other assets as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Deferred tax asset, noncurrent (see Note 28)	\$1,002,504	\$ 892,180
Refundable deposits paid	833,364	844,777
Prepaid pension cost (see Note 23)	40,862	33,566
Deferred charges (see Note 2)	381,070	316,899
Others	<u>802,071</u>	<u>840,401</u>
	<u>\$3,059,871</u>	<u>\$2,927,823</u> (Concluded)

17. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>		<u>2010</u>	
	Interest Rate %	Amount	Interest Rate %	Amount
Unsecured loans	0.75-7.216	\$3,291,316	0.75-5.35	\$2,752,840
Secured loans	6.405	<u>105,755</u>	0.96-5.103	<u>115,578</u>
		<u>\$3,397,071</u>		<u>\$2,868,418</u>

As of December 31, 2011, secured loan of \$105,755 thousand was secured by the buildings and improvement of Jiashan Te-Cheng Wood Industrial (see Note 30).

As of December 31, 2010, secured loan of \$111,728 thousand was secured by the buildings and improvement of Jiashan Te-Cheng Wood Industrial; \$3,850 thousand was secured by the buildings and improvement of TR Thailand (see Note 30).

18. SHORT-TERM BILLS PAYABLE

Short-term bills payable as of December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>		<u>2010</u>	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper, unsecured	0.782-1.038	<u>\$159,842</u>	1.0287	<u>\$ 41,000</u>

19. OTHER PAYABLES

Other payables as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Accrued expenses	\$1,229,728	\$1,073,035
Payables for purchase of property, plant and equipment	67,684	207,049
Other notes payable	19,826	34,480
Bonuses payable to employees	53,452	45,444
Bonuses payable to directors and supervisors	30,829	29,169
Others	<u>458,547</u>	<u>396,618</u>
	<u>\$1,860,066</u>	<u>\$1,785,795</u>

20. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Unrealized gain on sale-leaseback (see Note 15)	\$234,789	\$234,789
Accrued VAT payable	19,498	14,020
Receipts under custody	22,302	18,151
Allowance for indemnity losses on exports (see Note 2)	53,026	24,543
Others	<u>252,522</u>	<u>117,533</u>
	<u>\$582,137</u>	<u>\$409,036</u>

21. LONG-TERM DEBT

Long-term debt as of December 31, 2011 and 2010 consisted of the following:

	2011		2010
	<u>Interest Rate</u>	<u>Amount</u>	<u>Amount</u>
First Commercial Bank's Syndicate Loan Unsecured loan from October 12, 2011 to June 24, 2016. The authorized credit line of \$4,000 million may be used on revolving basis for a period until June 24, 2016.	1.097-1.500	\$2,150,590	\$ -
Unsecured loan from June 24, 2011 to June 24, 2016. The authorized credit line of \$2,000 million. Interest is paid monthly. The principal due in 7 semi-annual installments with first installment due on June 24, 2013.	1.5905	2,000,000	-
Taiwan Business Bank's Syndicate Loan Unsecured loan from October 26, 2009 to October 26, 2014. The authorized credit line is \$2,160,000 thousand, principal due on October 26, 2014.	1.9526-2.0947	1,200,000	750,000

Bank SinoPac Co., Ltd.			
Unsecured loan from March 31, 2010 to March 31, 2013. Interest is paid monthly, principal due on March 31, 2013.	1.514	500,000	500,000
Taiwan Business Bank			
Unsecured loan from November 22, 2010 to November 22, 2015. Principal is paid in 12 quarterly payments starting from February 15, 2013. Interest is paid monthly.	1.88	500,000	500,000
Taishin International Bank			
Unsecured loan from June 20, 2011 to June 20, 2013. Interest is paid monthly, principal due on June 20, 2013.	1.61	300,000	300,000
Shanghai Commercial & Savings Bank			
Unsecured loan from November 22, 2010 to November 22, 2014. Principal is paid in 8 quarterly payments starting from February 21, 2013. Interest is paid monthly.	1.78	300,000	300,000
Jihsun Bank			
Unsecured loan from December 29, 2011 to July 1, 2013. Interest is paid monthly, principal due on July 1, 2013.	1.67	\$ 200,000	\$ 200,000
Land Bank's Syndicate Loan			
Unsecured loan from March 22, 2011 to July 25, 2012. Interest is paid monthly. The authorized credit line of \$3,000 million or US\$85 million may be used on revolving basis for a period until July 25, 2012. In June 2011, the Company paid the principal in full in advance.	-	-	2,419,980
Ta Chong Bank			
Unsecured loan from May 16, 2008 to November 30, 2012. Interest is paid monthly. In June, July and September 2011, the Company paid the principal in full in advance.	-	-	600,000
First Sino Bank			
Pledged loan from June 24, 2008 to June 23, 2013. Interest is paid monthly. Principal is paid monthly for 50 months starting from the second year after the day of the first borrowing. In November 2011, the Company paid the principal in full in advance.	-	-	102,718

Less current portion	_____ -	_____(12,188)
	<u>\$7,150,590</u>	<u>\$5,660,510</u> (Concluded)

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

First Commercial Bank Syndicated Loan

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

Bank SinoPac Co., Ltd.

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

Ta Chong Bank

- a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1.
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
- c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
- d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.

- e. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

Taishin International Bank

- a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1. (Liability ratio is total liabilities minus unrealized gain on sale-leaseback of office premises divided by tangible assets.)
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
- c. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

Jihsun Bank

- a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1. (Liability ratio is total liabilities minus unrealized gain on sale-leaseback of office premises divided by tangible assets.)
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
- c. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

Land Bank's Syndicate Loan

- a. Leverage Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Tangible Net Worth of not more than 2 to 1. (Total liabilities are total liabilities on the balance sheet plus credit guarantees and minus the unrealized gain on sale-leaseback of office premises.)
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
- c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
- d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
- e. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

According to the loan agreement, Test-Rite Retail promised to maintain certain financial covenants as follows:

- a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Bank Loans and Bills Payable to Tangible Assets of not more than 2 to 1.
- b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Short-Term Bank Loans and Short-Term Bills Payable of not less than 1 to 1.
- c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 3 to 1.

- d. The calculations of the ratios are based on Test-Rite Retail financial statements for the year ended December 31.

See Note 30 for collaterals on bank borrowings.

See Note 29 for guarantees on bank borrowings.

22. LIABILITY COMPONENT OF PREFERRED STOCKS - NONCURRENT

	2011	2010
Private placement of liability component of series B preferred stocks	<u>\$335,361</u>	<u>\$326,996</u>

Private Placement of Liability Component of Preferred Stocks

On October 6, 2008, Tong Lung decided to issue series B convertible preferred stocks to buy back series A preferred stocks (October 24, 2003-October 23, 2008.) There were 8,750,000 shares of series B preferred stocks (with par value of NT\$10.00 per share) issued to local entities at forty dollars per share and on October 8, 2008, total proceeds from this issuance amounting to \$350,000 thousands had been collected. Terms and conditions, which were stated in Tong Lung's shareholders' meeting on June 19, 2008, were summarized as follows:

- a. Issue period: The convertible preferred stocks will be due five years from the issuance date (from October 8, 2008 to October 7, 2013.)
- b. Dividends: The dividends for the convertible preferred stocks are 4% per annum. The dividends will be paid out in cash after earnings proposition is approved. When the preferred stocks are not held for one full year, at year end, dividends will be adjusted accordingly.
- c. Conversion ratio: One share of preferred stock can be converted to one share of common stock of the Issuer.
- d. Converting preferred stocks to common stocks of the Issuer
 - 1) Converting preferred stocks, in whole but not in part: From the issuance date to 120 days prior to the maturity date, preferred stockholders shall require the Issuer in preferred stockholders' meeting, held upon preferred stockholders' request, to repurchase all preferred stocks.
 - 2) Converting preferred stocks, in whole or in part: The preferred stocks are convertible, in whole or in part, at any time during the conversion period from the issuance date to 120 days prior to the maturity date. At the end of the conversion period, if potential converted preferred stocks are less than 15% in principal amount of preferred stocks originally outstanding, the conversion will not take effect. The preferred stockholders will then be notified by the security agent to retrieve their stocks and related documents.
- e. Paying the dividends in arrears
 - 1) After a year that the Issuer carries a net loss or does not have sufficient earnings for distribution, the dividends in arrears is accumulated and paid out the next year prior to distribution to common stockholders. Ways of handling dividends in arrears of preferred stocks, which are redeemed by the Issuer and converted to common stocks of the Issuer by stockholders, are specified in (2) and (3), respectively:

- 2) Preferred stocks redeemed by the Issuer: Dividends in arrears are calculated up to the date when the preferred stocks are redeemed by the Issuer.
- 3) Preferred stocks converted to common stocks by preferred stockholders: Dividends in arrears shall be paid in cash with no interests on the first dividend grant date subsequent to the date of conversion. In the case that the Issuer is prohibited by regulation to pay the dividends, the Issuer should pay such dividends in arrears with no interest to the stockholders on the first dividend grant date subsequent to the date when the regulation is lifted.

f. Redemption of preferred stock prior to the maturity date

On the First to Tenth of April, July and December during the period from 3 years after the issuance date to 90 days prior to the maturity date, the convertible preferred stocks shall be redeemed, in whole or in part, at forty dollars per share plus any dividends in arrears.

g. Mandatory conversion prior to the maturity date

The Issuer may redeem the convertible preferred stocks, in whole or in part, if at least 95% in principal amount of preferred stocks have already been redeemed or converted.

h. Maturity date

Unless previously redeemed or converted, the preferred stocks will be redeemed at forty dollars per share. After the conversion, the converting preferred stockholders shall be registered in its common stockholders' ledger.

i. Special reserve

The Issuer shall maintain a certain percentage of special reserve as provision for future series B convertible preferred stock redemption. Cash, not less than the amount which shall be transferred to special reserve, has to be saved in the bank as time certificates of deposit with restriction as to withdrawal. The restriction is lifted when the Issuer has reserved enough amount of special reserve required.

In accordance with SFAS No. 36, "Financial Instruments: Disclosure and Presentation," the Company divided preferred stocks into conversion option and put option, which are recognized as equity and liability, respectively. Equity component of preferred stocks which is recorded under minority interest amounted to \$25,690 thousand. Liability component of preferred stocks is charged to embedded derivatives and liabilities. As of December 31, 2011, embedded derivatives which are measured at fair value amounted to \$19,950 thousand; liabilities which do not belong to derivatives financial instruments amounted to \$335,361 thousand. As of the balance sheet date, none of the preferred stockholders requested to convert their preferred stocks into common stocks.

23. RETIREMENT PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, Test-Rite and subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Test-Rite, Chung Cin Enterprise, Test-Rite Retail, Tong Lung, Tony Construction, Test Cin M&E and Chung Cin Interior Design have a defined benefit pension plan under the Labor Standards Law (LSL) covering all employees. The pension benefits are calculated on the basis of the

length of service and average monthly salaries of the six months before retirement. Except for Test-Rite Retail, which contributes amounts equal to 2% of total monthly salaries and wages, and Tong Lung, which contributes amounts equal to 7% of total monthly salaries and wages, other companies contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

	2011	2010
Service cost	\$11,275	\$13,989
Interest cost	16,186	15,215
Actual return on plan assets	(161)	(192)
Expected return on plan assets	(8,346)	(8,649)
Amortization of net transitional obligation	11,448	10,363
Amortization of pension loss	<u>3,461</u>	<u>2,357</u>
	<u>\$33,863</u>	<u>\$33,083</u>

The following table sets forth the actuarial assumptions and plan's status as of December 31, 2011 and 2010:

	2011	2010
Weighted-average discount rate	2.00%-2.25%	2.00%-2.50%
Expected rate of return on plan assets	2.00%-2.25%	2.00%-2.25%
Assumed rate of increase in salary	1.25%-2.75%	1.00%-3.00%

	2011	2010
Actuarial present value of benefit obligation		
Vested benefits	\$(247,738)	\$(231,369)
Nonvested benefits	<u>(357,493)</u>	<u>(357,233)</u>
Accumulated benefit obligation	(605,231)	(588,602)
Additional benefits at future salaries	<u>(140,647)</u>	<u>(136,794)</u>
Projected benefit obligation	(745,878)	(725,396)
Plan assets at fair value	<u>411,578</u>	<u>412,627</u>
Projected benefit obligation in excess of plan assets	(334,300)	(312,769)
Net transition asset not yet recognized	(15,267)	(9,334)
Net pension loss not yet recognized	245,988	201,962
Additional pension liability	14,131	14,960
Accrued pension cost	<u>(141,827)</u>	<u>(109,485)</u>
	(231,275)	(214,666)
Prepaid pension cost (included in other assets)	(40,862)	(33,566)
Deferred pension cost	<u>(19,692)</u>	<u>(26,458)</u>
Accrued pension liability (included in other liabilities)	<u>\$(291,829)</u>	<u>\$(274,690)</u>

24. CAPITAL STOCK

Test-Rite's capital stock as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Registered capital		
Share (thousand shares)	<u>660,000</u>	<u>660,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$6,600,000</u>	<u>\$6,600,000</u>
Issued capital		
Share (thousand shares)	<u>507,423</u>	<u>516,423</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$5,074,228</u>	<u>\$5,164,228</u>

Test-Rite's outstanding capital stock as of January 1, 2011, amounted to \$5,164,228 thousand. On November 11, 2011, the board of directors decided to retire treasury stock of \$90,000 thousand and decrease the capital. Consequently, as of December 31, 2011, Test-Rite's capital stock decreased to \$5,074,228 thousand consisting of 507,422,872 outstanding common shares with a par value of NT\$10.00 per share.

Test-Rite's outstanding capital stock as of January 1, 2010, amounted to \$5,312,228 thousand. On August 10, 2010, the board of directors decided to retire treasury stock of \$148,000 thousand and decrease the capital. Consequently, as of December 31, 2010, Test-Rite's capital stock decreased to \$5,164,228 thousand consisting of 516,422,872 outstanding common shares with a par value of NT\$10.00 per share.

In the stockholders' meetings on June 17, 2011 and June 15, 2010, the stockholders decided to distribute retained earnings for 2010 and 2009 as follows:

	<u>2010</u>	
	Distributions of Earnings	Dividends Per Share (In Dollars)
Legal reserve	\$ 37,549	\$ -
Cash dividends	337,436	0.665
	<u>2009</u>	
	Distributions of Earnings	Dividends Per Share (In Dollars)
Legal reserve	\$ 13,677	\$ -
Cash dividends	125,825	0.26

The amounts of the bonus to employees and the bonus to directors and supervisors approved in 2010 were \$27,035 thousand and \$6,759 thousand and the related amounts accrued in 2010 were \$28,800 thousand and \$7,300 thousand or differences of \$1,765 thousand and \$541 thousand, respectively. The amounts of the bonus to employees and the bonus to directors and supervisors approved in 2009 were \$9,848 thousand and \$2,462 thousand and the related amounts accrued in 2009 were \$9,300 thousand and \$1,900 thousand or differences of \$548 thousand and \$562 thousand, respectively. The differences in 2010 and 2009 were not material and had been adjusted in profit and loss for the years ended December 31, 2011 and 2010, respectively.

For the years ended December 31, 2011 and 2010, the amounts of earnings per share were calculated as follows:

	2011						
	Amounts (Numerator)			Shares (Denominator)	EPS (NT\$)		
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax		Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	\$942,022	\$813,105	\$636,133	502,814,539	<u>\$ 1.87</u>	<u>\$ 1.62</u>	<u>\$ 1.27</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	<u>2,637,325</u>			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$942,022</u>	<u>\$813,105</u>	<u>\$636,133</u>	<u>505,351,864</u>	<u>\$ 1.86</u>	<u>\$ 1.61</u>	<u>\$ 1.26</u>

	2010						
	Amounts (Numerator)			Shares (Denominator)	EPS (NT\$)		
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax		Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	\$871,643	\$620,166	\$486,818	483,942,872	<u>\$ 1.80</u>	<u>\$ 1.28</u>	<u>\$ 1.01</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	<u>1,252,174</u>			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$871,643</u>	<u>\$620,166</u>	<u>\$486,818</u>	<u>485,195,046</u>	<u>\$ 1.80</u>	<u>\$ 1.27</u>	<u>\$ 1.00</u>

The Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year. Bonuses to employees shall be recognized as expense after the adoption of Interpretation 96-052. Therefore, the weighted-average number of common shares outstanding in the calculation of basic and diluted EPS shall not be adjusted retroactively for the increase in common shares outstanding from stock issuance for employee's bonuses.

The appropriations of 2011 earnings had been proposed by the board of directors on March 29, 2012. The proposed appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 61,051	\$ -
Cash dividends	387,538	0.80
Stock dividends	145,327	0.30

The appropriations of 2011 earnings and the amounts of bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 18, 2012.

Regarding the 2010 and 2009 retained earnings proposition by the board of directors and the approval of the stockholders, please refer to the Market Observation Post System ("MOPS") of the Taiwan Stock Exchange.

For the years ended December 31, 2011 and 2010, the bonus to employees was \$42,674 thousand and \$28,800 thousand, respectively, and the remuneration to directors and supervisors was \$10,669 thousand and \$7,300 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 8% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

25. RETAINED EARNINGS

According to the Company Law of the Republic of China and Test-Rite's Articles of Incorporation, 10% of Test-Rite's earnings, after paying tax and offsetting deficit, if any, shall first be appropriated as legal reserve. The remaining balance, if any, shall be distributed in the following order:

- a. Bonus to directors and supervisors - 2%, and
- b. Bonus to employees - at least 2% or more,
- c. The remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

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

26. TREASURY STOCK

The changes in treasury stock for the years ended December 31, 2011 and 2010 were summarized as follows (in shares):

Purpose	2011.1.1	Increase	Decrease	2011.12.31
To transfer to employees	<u>32,480,000</u>	<u>20,698,000</u>	<u>32,480,000</u>	<u>20,698,000</u>
Purpose	2010.1.1	Increase	Decrease	2010.12.31
To transfer to employees	<u>47,280,000</u>	<u>-</u>	<u>14,800,000</u>	<u>32,480,000</u>

As of December 31, 2011 and 2010, the treasury stock of Test-Rite was \$437,139 thousand and \$616,417 thousand, respectively, which was purchased back by Test-Rite.

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

Since some of the shares, purchased back by Test-Rite from time to time for the purpose of transferring to employees, were not transferred within the legal maturity (three years from the buyback date), Test-Rite retired 9,000,000 shares and 14,800,000 shares of them and got the retirement approval from Ministry of Economic Affairs (MOEA) in November 2011 and September 2010, respectively.

Test-Rite transferred to employees 23,480 thousand treasury shares amounting to \$484,562 thousand in 2011. Based on Interpretation 2007-266 issued by the Accounting Research and Development Foundation, employee stock options granted during the year ended December 31, 2011 were priced using the Black-Scholes model, and compensation cost of \$54,239 thousand (recorded as salary expense) was recognized in 2011. In 2011, the difference of \$93,189 thousand was recorded as capital surplus - treasury stock transactions, including compensation cost of \$54,239 thousand and the difference of \$38,950 thousand between the transferred value of \$484,562 thousand and the book value of \$445,612 thousand of the treasury shares granted.

According to the Stock Exchange Law of the ROC, the shares of treasury stock should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury stock should not be over the total of retained earnings and realized additional paid-in capital. The highest numbers of shares of treasury stock that Test-Rite held as of December 31, 2011 and 2010 were 32,480,000 shares and 47,280,000 shares. The total amounts were \$616,417 thousand and \$897,297 thousand pursuant to the law.

As of December 31, 2011, information regarding Test-Rite's share-based payment was summarized below:

a. As of December 31, 2011, 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	January 4, 2011	23,480,000	-	Immediate	-	-

b. Detail information about employee stock options described above was as follows:

	Year Ended December 31, 2011	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance, beginning of year	-	\$ -
Options granted	23,480	20.70
Additional options granted from stock dividends or adjustment for options granted	-	-

Options forfeited	-	-
Options exercised	(23,480)	20.70
Expired options invalidated	<u>-</u>	-
Balance, end of year	<u><u>-</u></u>	

- c. Options granted after January 1, 2008 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	January 4, 2011	\$23.00	\$20.70	28.75%	-	-	0.67%	\$2.31

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

27. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2011 and 2010 were summarized as follows:

Expense Item	Function	2011			2010		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses							
Salaries		\$ 487,666	\$3,257,077	\$3,744,743	\$ 450,310	\$2,845,148	\$3,295,458
Labor insurance and health insurance		29,267	233,148	262,415	28,153	183,847	212,000
Pension cost		30,935	124,807	155,742	27,713	119,313	147,026
Others		30,393	223,738	254,131	30,670	248,740	279,410
Depreciation expenses		105,935	751,644	857,579	108,579	679,333	787,912
Amortization expenses		3,625	128,756	132,381	2,471	100,855	103,326

28. INCOME TAX

The components of income tax expense for the year ended December 31, 2011 were as follows:

Tax expenses from entities generating net income	\$252,508
Tax credits from entities generating net loss	(110,222)
Additional 10% income tax on unappropriated earnings	100
Adjustment to deferred tax asset and valuation allowance	(12,938)
Adjustment to prior years' tax expenses	<u>(531)</u>
Income tax expense	<u>\$128,917</u>

The tax effects of deductible temporary differences that gave rise to deferred tax assets as of December 31, 2011 were as follows:

Losses carryforward	\$ 29,358
Investment loss recognized under the equity method	521,250
Other temporary differences	797,733
Unrealized exchange gains	(20,730)
Difference between financial and tax	(4,996)
Valuation gain on financial instruments	<u>(24,600)</u>
	1,298,015
Less valuation allowance	<u>(279,241)</u>
Net deferred tax assets	<u>\$1,018,774</u>
Deferred tax assets, current (included in other current assets)	\$ 28,712
Deferred tax assets, noncurrent (included in other assets)	1,002,504
Deferred tax liabilities, current (included in other current liabilities)	(12,000)
Deferred tax liabilities, noncurrent (included in other liabilities)	<u>(442)</u>
	<u>\$1,018,774</u>

Current income tax for the year ended December 31, 2011 and income tax payable as of December 31, 2011 were reconciled as follows:

Income tax expense at statutory rate	\$390,481
Decrease in tax resulting from other adjustments of permanent difference	<u>(137,973)</u>
Current tax expense	252,508
Provision for deferred income tax assets	
Others	<u>(48,714)</u>
Income tax payable	203,794
Less prepayments and withholdings in 2011	(64,077)
Add income tax payable at January 1, 2011	<u>40,642</u>
Income tax payable as of December 31, 2011	<u>\$180,359</u>

The reported prepaid income tax and withholdings of \$20,651 thousand as of December 31, 2011 were income tax prepayments in 2011 and prior years.

Losses carryforwards of Lih Chiou, Test-Rite Home Service and Tong Lung as of December 31, 2011 for income tax purposes were summarized as follows:

Year Expired	Amount
2013	\$ 400
2018	1,600
2019	5,440
2020	11,691
2021	<u>10,227</u>
	<u>\$29,358</u>

The information of Test-Rite about Imputation Credit ("IC") on the undistributed earnings as of December 31, 2011 was summarized as follows:

IC on undistributed earnings as of December 31, 2011	<u>\$425,559</u>
Undistributed earnings generated on and after January 1, 1998	<u>\$610,508</u>
Actual IC ratio on distributed earnings in 2011	<u>20.48%</u>
Expected IC ratio on distribution of earnings in 2012	<u>20.48%</u>

The income tax returns of Test-Rite for years through 2009 have been examined and approved by the tax authority. The tax authority assessed an additional income tax payable because Test-Rite did not obtain legal evidence for commission expenses and others which Test-Rite reported on its 2006, 2008 and 2009 income tax returns. Test-Rite did not agree with the decision so it filed an appeal to the tax authority. Test-Rite does not expect the result of the appeal will generate any significant loss to the Company based on its previous experience. Therefore, Test-Rite decided not to record the disputed tax payable on its book.

29. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are outlined as follows:

Name	Relationship
Test-Rite Int'l (Mexico) Ltd. ("TR Mexico")	Parent company with 49.00% ownership interest
Judy Lee	Chairman of Test-Rite
Tony Ho	Related party in substance
Quality Master Investment Co., Ltd. ("Quality Master")	Related party in substance
Up Master Investment Co., Ltd. ("Up Master")	Related party in substance
X-Cel Relationship Management Co., Ltd.	Related party in substance
Tsai Wang Enterprise Co., Ltd. ("Tsai Wang")	Related party in substance
Li Xiong Co., Ltd.	Up Master with 100.00% ownership interest

Rental Income

Rental income from related parties for the years ended December 31, 2011 and 2010 was as follows:

	<u>2011</u>		<u>2010</u>	
	Amount	%	Amount	%
Others	<u>\$ 201</u>	<u>-</u>	<u>\$ 201</u>	<u>-</u>

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

Service Income

Service income from related parties for the years ended December 31, 2011 and 2010 was as follows:

	<u>2011</u>		<u>2010</u>	
	Amount	%	Amount	%
Others	<u>\$ 960</u>	<u>5</u>	<u>\$ 960</u>	<u>5</u>

Rent Expense

See Note 15.

Selling, General and Administrative Expenses - Commission Expenses

Commission expenses to related parties for the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>		<u>2010</u>	
	Amount	%	Amount	%
TR Mexico	<u>\$17,503</u>	<u>9</u>	<u>\$18,755</u>	<u>8</u>

Commission expenses to related parties are based on gross profit while commission expenses to non-related parties are based on selling prices.

Refundable Deposits Paid

Refundable deposits paid from related parties for the years ended December 31, 2011 and 2010 was as follows:

	<u>2011</u>		<u>2010</u>	
	Amount	%	Amount	%
Tsai Wang	<u>\$125,000</u>	<u>15</u>	<u>\$ -</u>	<u>-</u>

Due from Related Parties

Due from related parties as of December 31, 2011 and 2010 was as follows:

	<u>2011</u>		<u>2010</u>	
	Amount	%	Amount	%
Advances for related parties				
TR Mexico	<u>\$ 5,400</u>	<u>100</u>	<u>\$ 5,809</u>	<u>100</u>

Due to Related Parties

Due to related parties as of December 31, 2011 and 2010 was as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Accrued commission expenses				
TR Mexico	<u>\$ 1,394</u>	<u>3</u>	<u>\$ 711</u>	<u>2</u>

Payment of Credit Guarantees

Endorsements or guarantees that Test-Rite provided to its business related legal entities and subsidiaries were summarized in Note 31.

As of December 31, 2011, short-term bank borrowings of \$502,814 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of \$60,580 thousand were guaranteed by Judy Lee.

As of December 31, 2010, short-term bank borrowings of \$337,908 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of \$40,000 thousand were guaranteed by Tony Ho and \$58,260 thousand were guaranteed by Judy Lee.

As of December 31, 2011, long-term debt of \$300,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of \$5,650,590 thousand was guaranteed by Judy Lee.

As of December 31, 2010, long-term debt of \$900,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of \$2,419,980 thousand was guaranteed by Tony Ho and \$1,500,000 thousand was guaranteed by Judy Lee.

Compensation of Directors, Supervisors and Management Personnel

	<u>Years Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Salaries	\$184,222	\$157,458
Incentives	10,753	8,143
Bonuses	<u>21,432</u>	<u>13,212</u>
	<u>\$216,407</u>	<u>\$178,813</u>

Compensation of directors, supervisors and management personnel for 2011 was estimated according to the order of making appropriations from net income regulated by the Company's Articles of Incorporation. The appropriations of earnings for 2011 have not been approved in the shareholders' meeting. The information about the compensation of directors and management personnel is available in the annual report for stockholders' meeting.

The compensation of directors, supervisors and management personnel for the year ended December 31, 2010 included the bonuses appropriated from earnings for 2009 which had been approved by the stockholders in their meeting held in 2010. Please refer to annual report for stockholders' meeting for more details.

30. PLEDGED ASSETS

Assets pledged for various purposes as of December 31, 2011 and 2010 were summarized as follows:

	2011	2010
Time deposits (see Note 4)	\$ 27,275	\$ 90,444
Land (see Note 15)	247,665	208,875
Buildings and improvements (see Note 15)	<u>156,116</u>	<u>297,950</u>
	<u>\$431,056</u>	<u>\$597,269</u>

31. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2011 were US\$2,844 thousand and NT\$1,300 thousand.

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2010 were US\$6,387 thousand and EUR160 thousand.

Endorsements/guarantees provided: As of December 31, 2011 and 2010, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	2011	2010
Standby letters of credit		
Hola Shanghai Retail & Trading	US\$ 8,000	US\$ -
Test-Rite Business Development	US\$ 3,000	US\$ -
Energy Retailing	US\$ 2,500	US\$ 3,000
TR Products	US\$ 1,375	US\$ 2,750
Light Up Shanghai Retailing	EUR 255	EUR -
Endorsements		
TR Products	US\$20,699	US\$21,480
Hola Shanghai Retail & Trading	US\$13,500	US\$18,176
TR Trading & TR Retailing	US\$17,500	US\$ 5,375
Test-Rite Business Development	US\$ 5,000	US\$ 2,000
TR GI	EUR 1,000	EUR 1,000
TR Canada	CAD 30	CAD -
TR Thailand	US\$ 400	US\$ -
TR Trading	US\$ -	US\$ 3,000
Jiashan Te-Cheng Wood Industrial	US\$ -	US\$ 500
TR Development	US\$ -	US\$ 2,000

Tong Lung's outstanding letters of credit for purchases of raw material and equipment amounted to approximately \$6,867 thousand and US\$250 thousand on December 31, 2011.

Tong Lung had materials ordered but not yet received of approximately \$64,004 thousand on December 31, 2011.

In December 2004, Tong Lung committed to proceed with the division and transfer of building No. 59 to a hospital. The hospital has the first priority right to purchase the remaining portion of the land situated in May-Lin factory if Tong Lung decides to sell it within 10 years.

As of December 31, 2011, Tong Lung had refundable deposits paid in banks of \$47,530 thousand in order to purchase raw material.

As of December 31, 2011, Test-Rite Retail's outstanding letters of credit for purchase of inventory amounted to approximately US\$52 thousand and EUR22 thousand.

As of December 31, 2011, Test-Rite Retail has import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$102,554 thousand.

32. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Nominal Amount and Credit Risk

The forward exchange contracts and cross-currency swap contracts as of December 31, 2011 and 2010 were summarized below:

Financial Instruments	Type	2011		2010	
		Nominal Amount	Credit Risk	Nominal Amount	Credit Risk
Non-trading purpose					
Forward exchange	Sale	US\$ 204,930	\$ -	US\$ 238,000	\$ -
		EUR 5,957	-	EUR 500	-
	Buy	US\$ 146,000	-	US\$ 210,531	-
Cross-currency swap	Buy	RMB -	-	RMB 13,376	-

Outstanding metal commodity futures contracts and sell option contracts as of December 31, 2011 were summarized as follows:

December 31, 2011							
	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
Metal commodity futures							
Copper	Buy	150	2011.09.19	2012.01.04	\$ 1,178	\$ 1,134	\$ (44)
			2011.10.20	2012.02.07			

December 31, 2011						
	Exercise Price (In Thousands)	Put	Call	Exchange Rate	Expiration Date	Credit Risk
Options						
Sell option	US\$82	USD	CNY	6.465	2012.1.31	-

The aforementioned counterparties to the contracts are banks with high credit rating; thus the credit risk is insignificant.

Market Risk

For a derivative designated as hedging instrument, the gain or loss derived from the fluctuation of interest rate or exchange rate is to be offset by the loss or gain on the hedged item attributable to the risk being hedged and thus, the market risk is insignificant.

Liquidity Risk and Cash Flow Risk

Foreign exchange rates embedded in the derivative contracts are fixed at the inception and thus, cash flow risks are insignificant.

The exchange gains on the sale or purchase of derivative financial instruments of \$72,241 thousand and \$117,147 thousand for the years ended 2011 and 2010, respectively, were recorded under nonoperating income and gains - foreign exchange gain, net. Interest income on cross-currency swap contracts of \$1,380 thousand was recorded under nonoperating income and gains - interest income.

Fair Value of Financial Instruments

The fair value of non-derivative financial instruments as of December 31, 2011 and 2010 was summarized as follows:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$2,095,773	\$2,095,773	\$1,111,270	\$1,111,270
Financial assets at fair value through profit or loss, current	99,447	99,447	515,014	515,014
Available-for-sale financial assets, current	2,141	2,141	2,301	2,301
Notes receivable	39,343	39,343	63,970	63,970
Accounts receivable	2,922,471	2,922,471	2,122,455	2,122,455
Other receivables	310,823	310,823	278,056	278,056
Other financial assets, current	613	613	169	169
Long-term equity investments at equity method	1	-	983	983
Available-for-sale financial assets, noncurrent	30,450	30,450	29,209	29,209
Financial assets carried at cost, noncurrent	109,989	109,989	115,196	115,196
Bond investments without active market, noncurrent	50,000	50,000	50,000	50,000
Refundable deposits paid	833,364	833,364	844,777	844,777
Liabilities				

Short-term bank borrowings	3,397,071	3,397,071	2,868,418	2,868,418
Short-term bills payable	159,842	159,842	41,000	41,000
Financial liabilities at fair value through profit or loss, current	490	490	-	-
Notes payable	21,100	21,100	16,270	16,270
Accounts payable	4,450,756	4,450,756	3,196,463	3,196,463
Other payables	1,860,066	1,860,066	1,785,795	1,785,795
Current portion of long-term debt	-	-	12,188	12,188
Other financial liabilities, current	72,524	72,524	38,563	38,563
Long-term debt	7,150,590	7,150,590	5,660,510	5,660,510
Other financial liabilities, noncurrent	157,853	157,853	103,846	103,846

The fair value of derivative financial instruments as of December 31, 2011 and 2010 was summarized as follows:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at fair value through profit or loss, current	\$150,289	\$150,289	\$ 84,351	\$ 84,351
Financial liabilities at fair value through profit or loss, current	(13,315)	(13,315)	(1,339)	(1,339)
Put option on convertible preferred stock	(19,950)	(19,950)	(13,895)	(13,895)

Approaches and assumptions employed in assessing the fair value of financial instruments are summarized as follows:

- Financial instruments classified as current assets and liabilities will mature within a short period of time. Therefore, they should be recognized at fair value. Fair value recognition can be applied to financial instruments including cash and cash equivalents, notes receivable, accounts receivable, short-term bank borrowings, short-term bills payable, notes payable, accounts payable, and other financial instruments, etc.
- If the price of marketable securities is obtainable, they should be measured at fair value. Otherwise, other information can be used to estimate these financial securities' fair value.
- Fair value of long-term debts is estimated using the present value of future cash flows discounted by the interest rates the company may obtain for similar loans.
- The fair value of derivative financial instruments is the amount which the Company expects to receive or pay if the Company stops the contracts according to the agreement at the balance sheet date. Generally, the amounts included unrealized gain or loss on outstanding contracts and most of them have reference value from financial organizations.

Fair Value Measurement of Financial Assets and Liabilities

	Market Value	Other Estimation Method	Total
Assets			
Financial assets at fair value through profit or loss, current	\$ 99,447	\$150,289	\$249,736
Available-for-sale financial assets, current	2,141	-	2,141
Available-for-sale financial assets, noncurrent	30,450	-	30,450
Liabilities			
Financial liabilities at fair value through profit or loss, current	490	33,265	33,755

33. OPERATING LEASE

The agreement on lease of land, buildings and improvements which Test-Rite entered into with related party, Tsai Wang, required Test-Rite to pay guarantee deposit of \$125,000 thousand, which was recorded under "refundable deposits paid".

A list of rent expense for the next 5 years and the present value of rentals of 2017 as of December 31, 2011 was as follows:

Period	Amount
2012	\$ 281,377
2013	289,819
2014	298,513
2015	307,468
2016	316,693
2017 (present value \$301,805 thousand)	<u>326,193</u>
	<u>\$1,820,063</u>

The lease agreement which Test-Rite entered into with non-related parties required Test-Rite to collect guarantee deposit of \$60 thousand, which was recorded under "refundable deposits received." A list of rent revenue for the next 5 years and present value of rentals of 2017 as of December 31, 2011 was as follows:

Period	Amount
2012	\$ 421
2013	421
2014	421
2015	245
2016	186
2017 (present value \$52 thousand)	<u>62</u>
	<u>\$ 1,756</u>

As lessor under lease agreements entered into with non-related parties, Chung Cin collected guarantee deposit of \$11,345 thousand, which was recorded under "refundable deposits received." A list of rent revenue for the next 5 years and the present value of rentals from 2017 to 2025 as of December 31, 2011 was as follows:

Period	Amount
2012	\$ 49,600
2013	37,742
2014	16,057
2015	8,206
2016	2,987
2017-2021 (present value \$11,935 thousand)	14,878
2022-2025 (present value \$7,248 thousand)	<u>10,299</u>
	<u>\$139,769</u>

As lessee under agreements entered into for lease of land, buildings and improvements with non-related parties, Chung Cin paid guarantee deposit of \$11,224 thousand, which was recorded under "refundable deposits paid". A list of rent expense for the next 5 years and the present value of rentals from 2017 to 2025 as of December 31, 2011 was as follows:

Period	Amount
2012	\$ 30,395
2013	30,864
2014	32,085
2015	32,583
2016	33,622
2017-2021 (present value \$164,190 thousand)	180,073
2022-2025 (present value \$139,796 thousand)	<u>162,358</u>
	<u>\$501,980</u>

As lessee, TR U.S. entered into sale-leaseback agreement of equipment, warehouse, and showroom facilities with non-related parties. A list of rent expense for future years as of December 31, 2011 was summarized as follows:

Period	Amount
2012	\$ 65,629
2013	67,899
2014	71,818
2015	69,755
2016	52,692
2017-2018	<u>55,521</u>
	<u>\$383,314</u>

TR U.S. entered into patent license agreement with non-related parties. A list of royalty expense for the next 4 years as of December 31, 2011 was summarized as follows:

Period	Amount
2012	\$12,120
2013	6,704
2014	4,789
2015	<u>2,063</u>
	<u>\$25,676</u>

Hola Shanghai Retail & Trading entered into lease agreement for office premises with non-related parties. A list of rent expense for the next 5 years and the present value of rentals from 2017 to 2028 as of December 31, 2011 was as follows:

Period	Amount
2012	\$ 476,853
2013	504,141
2014	534,425
2015	532,988
2016	461,162
2017-2021 (present value \$1,491,111 thousand)	1,666,581
2022-2026 (present value \$311,060 thousand)	388,577
2027-2028 (present value \$80,002 thousand)	<u>111,700</u>
	<u>\$4,676,427</u>

Test-Rite Retail's lease agreement for office premises with non-related parties required Test-Rite Retail to pay guarantee deposit of \$457,959 thousand, which was recorded under "refundable deposits paid". A list of rent expense for the next 5 years and the present value from 2017 to 2041 as of December 31, 2011 was as follows:

Period	Amount
2012	\$ 929,710
2013	925,926
2014	921,759
2015	919,574
2016	702,967
2017-2021 (present value \$2,410,381 thousand)	2,578,170
2022-2026 (present value \$990,730 thousand)	1,059,696
2027-2031 (present value \$151,944 thousand)	162,521
2032-2036 (present value \$77,306 thousand)	82,687
2037-2041 (present value \$24,557 thousand)	<u>26,267</u>
	<u>\$8,309,277</u>

The information of significant foreign-currency financial assets and liabilities as of December 31, 2011 and 2010 was summarized as follows:

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

	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 84,640	30.29	\$2,563,748	\$ 53,505	29.13	\$1,558,608
EUR	1,821	39.16	71,318	4,034	38.87	156,821
GBP	556	46.7035	25,974	2,156	45.1091	97,248
RMB	223,300	4.806	1,073,178	61,388	4.417	271,149
SGD	3,170	23.2849	73,824	3,097	22.6951	70,284
Nonmonetary items						
USD	167,500	30.29	5,073,575	225,000	29.13	6,554,250
EUR	5,957	39.16	233,257	500	38.87	19,435

(Continued)

	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 136,174	30.29	\$4,124,723	\$ 89,197	29.13	\$2,598,318
EUR	615	39.16	24,071	3,261	38.87	126,758
GBP	-	-	-	1,134	45.1091	51,150
RMB	666,486	4.455	2,968,927	350,548	4.417	1,548,370
Nonmonetary items						
USD	144,437	30.29	4,374,986	203,531	29.13	5,928,886
RMB	-	-	-	13,376	4.417	59,082
						(Concluded)

34. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under SFAS No. 41 are therefore as follows:

- A Segment - retail segment
- B Segment - trading segment
- C Segment - manufacturing segment
- D 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, 2011 and 2010 was as follows:

	2011				Adjustment and Elimination	Total
	A Segment	B Segment	C Segment	D Segment		
Net sales	\$20,674,374	\$19,959,927	\$ 3,169,467	\$ 2,323,527	\$(10,249,723)	\$35,877,572
Cost of sales	(13,461,860)	(15,852,757)	(2,619,286)	(2,019,748)	8,915,089	(25,038,562)
Gross profit	7,212,514	4,107,170	550,181	303,779	(1,334,634)	10,839,010
Operating expenses	(6,860,730)	(3,849,415)	(382,627)	(149,563)	1,305,375	(9,936,960)
Operating income	\$ 351,784	\$ 257,755	\$ 167,554	\$ 154,216	\$ (29,259)	902,050
Nonoperating income and gains						463,015
Nonoperating expenses and losses						(423,043)
Income before income tax						\$ 942,022
	2010				Adjustment and Elimination	Total
	A Segment	B Segment	C Segment	D Segment		
Net sales	\$18,431,365	\$17,066,683	\$ 3,071,813	\$ 1,701,218	\$(7,663,041)	\$32,608,038
Cost of sales	(11,928,522)	(13,316,294)	(2,468,723)	(1,417,536)	6,207,615	(22,923,460)
Gross profit	6,502,843	3,750,389	603,090	283,682	(1,455,426)	9,684,578
Operating expenses	(6,145,585)	(3,586,003)	(328,298)	(143,455)	1,389,825	(8,813,516)
Operating income	\$ 357,258	\$ 164,386	\$ 274,792	\$ 140,227	\$ (65,601)	871,062
Nonoperating income and gains						441,636
Nonoperating expenses and losses						(441,055)

losses

Income before income tax

\$ 871,643

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2011 and 2010.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2011 and 2010 was as follows:

	2011					Total
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	
Assets	<u>\$11,995,285</u>	<u>\$15,716,245</u>	<u>\$ 3,039,985</u>	<u>\$ 1,718,798</u>	<u>\$(4,907,905)</u>	<u>\$27,562,408</u>
Liabilities	<u>\$ 8,450,934</u>	<u>\$13,253,062</u>	<u>\$ 1,829,139</u>	<u>\$ 588,981</u>	<u>\$(3,790,408)</u>	<u>\$20,331,708</u>

	2010					Total
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	
Assets	<u>\$ 9,902,614</u>	<u>\$12,853,678</u>	<u>\$ 2,810,039</u>	<u>\$ 1,756,056</u>	<u>\$(4,151,037)</u>	<u>\$23,171,350</u>
Liabilities	<u>\$ 6,355,974</u>	<u>\$10,824,342</u>	<u>\$ 1,664,667</u>	<u>\$ 646,094</u>	<u>\$(3,053,240)</u>	<u>\$16,437,837</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2011 and 2010.

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	
	Year Ended December 31		Year Ended December 31	
	2011	2010	2011	2010
Asia	\$31,072,591	\$28,570,448	\$13,609,786	\$12,165,699
America	4,384,891	3,603,455	-	-
Europe	419,752	433,941	-	-
Australia and others	<u>338</u>	<u>194</u>	<u>-</u>	<u>-</u>
	<u>\$35,877,572</u>	<u>\$32,608,038</u>	<u>\$13,609,786</u>	<u>\$12,165,699</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 2011 and 2010.

35. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations as well as related guidances translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mrs. Sophia Tong. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

Plan Item	Responsible Division	Plan Progress
1) Establish the IFRSs taskforce	IFRSs taskforce and accounting division	Finished
2) Set up a work plan for IFRSs adoption	IFRSs taskforce and accounting division	Finished
3) Complete the identification of GAAP differences and impact	IFRSs taskforce and accounting division	Finished
4) Complete the identification of consolidated entities under IFRSs	IFRSs taskforce and accounting division	Finished
5) Evaluate optional exemptions under IFRS based on IFRS 1	IFRSs taskforce and accounting division	Finished
6) Complete modification to the IT systems	IFRSs taskforce and IT division	Finished
7) Complete modification to the internal controls	IFRSs taskforce and internal audit division	Finished
8) Determine IFRSs accounting policies	IFRSs taskforce and accounting division	Finished
9) Select optional exemptions under IFRS based on IFRS 1	IFRSs taskforce and accounting division	Finished
10) Complete the preparation of opening date balance sheet	IFRSs taskforce and accounting division	In progress according to the

under IFRSs		plan
11) Prepare comparative financial information under IFRSs for 2012	IFRSs taskforce and accounting division	In progress according to the plan (Continued)
12) Complete modification to the relevant internal controls (including financial reporting process and information systems)	IFRSs taskforce and accounting division	In progress according to the plan (Concluded)

b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

Accounting Issues	Description of Differences
Classifications of deferred income tax asset/liability and valuation allowance	<p>1) Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.</p> <p>2) In addition, under R.O.C. GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.</p>
Employee benefits	<p>1) Under R.O.C. GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. Under IFRSs, the Company will recognize actuarial gains and losses immediately</p>

in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

- 2) Under R.O.C. GAAP, unrecognized net transition obligation and unrecognized actuarial losses should be amortized by the straight-line method or corridor approach over the employee's remaining service period. Under IFRSs, unrecognized net transition obligation should be included in unappropriated earnings.
- 3) Under R.O.C. GAAP, compensated absences are recognized as salary expense when taken by employees. Under IFRSs, accumulating compensated absences are recognized as salary expense when the employees render services that increase their entitlement to future compensated absences.

Customer loyalty programmes

Under R.O.C. GAAP, the obligations are recognized and selling expenses are accrued when loyalty award credits are granted to customers. Under IFRSs, the Interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits relative to the fair value of the goods and loyalty award credits and deferred to recognize these proceeds as revenue until they fulfilled their obligations or when award credits expired.

Sale-leaseback

Under R.O.C. GAAP, in a sale-leaseback transaction that results in an operating lease, the amount of the profit or loss on the sale-leaseback to be recognized immediately or deferred and amortized over the leaseback period depends on the percentage of the present value of the total rental cost to the fair value of the sale-leaseback asset. Under IFRS, if the transaction is clearly carried out at fair value, the profit or loss should be recognized immediately. If the sale price is above fair value, the excess over fair value should be deferred and amortized

over the period of use.

(Concluded)

The material differences, shown above, may not have impact because of exemptions under IFRS 1- First-time Adoption of International Financial Reporting Standards. The transactions that would be affected by the change from R.O.C. GAAP to IFRS are not material.

- c. The Company has prepared the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

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

7.1 Analysis of Financial Status

Unit : NTD\$ thousand

Item	Year	2010	2011	Difference	
				Amount	%
Current Assets		3,585,822	5,423,893	1,838,071	51.26
Fixed Assets		9,640,944	9,555,569	(85,375)	(0.89)
Other Assets		609,447	592,999	(16,448)	(2.70)
Total Assets		63,453	53,836	(9,617)	(15.16)
Current Liabilities		682,149	686,926	4,777	0.70
Long-term Liabilities		14,581,815	16,313,223	1,731,408	11.87
Total Liabilities		1,574,074	2,009,690	435,616	27.67
Capital stock		4,819,980	5,950,590	1,130,610	23.46
Capital surplus		1,847,846	1,610,156	(237,690)	(12.86)
Retained Earnings		8,241,900	9,570,436	1,328,536	16.12
Other Adjustments		5,164,228	5,074,228	(90,000)	(1.74)
Total Stockholders' Equity		701,623	694,476	(7,147)	(1.02)
Current Assets		1,082,099	1,354,667	272,568	25.19
Fixed Assets		(608,035)	(380,584)	227,451	37.41
Other Assets		6,339,915	6,742,787	402,872	6.35

Analysis of changes in financial ratios:

- (1) ∙ The increase of current assets reflects the increase of current financial assets and account receivables.
- (2) ∙ The increase of current liabilities was the result of increase in account payables and other payables.
- (3) ∙ The increase of long term liabilities was the result of higher long-term debt outstanding.
- (4) ∙ The increase of Retained Earnings reflects the increase of net profit after tax compared to the prior year.
- (5) ∙ The decrease of stockholders' equity was the result of the increase of accumulative translation adjustment and the translation and cancellation of treasury stock shares in 2011.

7.2 Analysis of Operating Results

Unit : NTD\$ thousand

Item \ Year	2010	2011	Difference	
			Amount	%
Net Sales	11,513,995	13,272,554	1,758,559	15.27
Cost of Sales	9,280,459	10,781,870	1,501,411	16.18
Gross Profit	2,233,536	2,490,684	257,148	11.51
Operating Expenses	2,011,279	2,175,472	164,193	8.16
Operating Income	222,257	315,212	92,955	41.82
Non-operating Income and Gains	534,982	538,244	3,262	0.61
Non-operating Expenses and Losses	140,521	182,923	42,402	30.17
Income Before Tax	616,718	670,533	53,815	8.73
Tax Benefit (Expense)	(129,900)	(34,400)	95,500	73.52
Cumulative Effect of Change in Accounting Principles	486,818	636,133	149,315	30.67

- **Effect of change on the company's future business:.**

- (1) ∙ The increase of operating income was due to the increase of net sales and gross profit.
- (2) ∙ The increase of Non-operating Expenses and Losses reflects the increase of interest expense and miscellaneous expense.
- (3) ∙ The decrease of tax expense was reflects no adjustment of tax and no change in tax law compared to 2010.
- (4) ∙ The increase of net profit after-tax was the result of increases in operating sales ∙ operating profit and deduction of tax expenses.

- **Future response plans :**

Faced with a rapidly changing and competitive landscape, Test-Rite has leveraged its +30 years of success in the trading business while continuing to strengthen our product offerings for our trading customers. These services, encompass product and packaging design, logistics, and storage/warehousing capacities, enable Test-Rite to provide a Total Solution service that we believe is necessary to further strength or role within the supply to chain to global retail operators. As a result, Test-Rite is able to facilitate cooperative efficiency between our customers and suppliers and create value-added services for our trading partners. In the past 12 to 18 months, Taiwan and China authorities both implement the policy of regulating the real estate market, and other policies such as luxury tax, policy induced oil and electricity rate hikes and the potential increase capital gains tax for the equity markets may cause negative impact on consumer expenditure. Otherwise, our focus is to maintaining the growth momentum of the retail business and plan to open 7 to 11 stores in 2012. We see no shortage of growth opportunities for both our trading and retail businesses.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit : NTD\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
236,610	(371,277)	(289,693)	155,026	—	—

- (1). Operating activities: The net cash outflow from operating activities of NT\$371,277,000 was the result of good performance in the current period growing 15% in operating income, making the increase demand of operating capital.
- (2). Investment activities: The net cash outflow from investment activities of NT\$298,198,000 was the result of investment in long-term equity calculated based on the weighted equity method for the current period.
- (3). Financing activities: The net cash inflow from financing activities of NT\$587,891,000 was the result of the reduction in short-term loans and increase in long-term loans as well as the distribution of cash dividends.

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

7.3.3 Cash Flow Analysis for the Coming Year

Unit : NTD\$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
155,026	1,091,980	1,028,679	218,327	—	—

Analysis of cash flow changes for the coming year:

- A. Operating activities: Operating profit continues to see improvement and AR from previous business cycle was collected during the period. Dividend repatriations from subsidiaries resulted in a net cash inflow from operating activities of NT\$1,091,980,000.
- B. Investment and financing activities: The Company increased activities in the mainland market and provided additional investments to subsidiaries in China; continued to implement ERP equipment and planned to distribute cash dividends to shareholders. Investment and financing activities for the entire year created a net cash outflow of NT\$1,028,679,000, thus there is no issue of inadequate liquidity.

7.4 Major Capital Expenditure Items

Test-Rite sold a real estate (Neihu HQ Building) and leased it back immediately in consideration of its business need. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Test-Rite recorded \$2,347,885 thousand unrealized gain, which is amortized during 10-year lease term. For the years ended December 31, 2010 and 2009, the amortization of unrealized gain was \$234,788 thousand, which was treated as a reduction of rental cost.

As of December 31, 2011 and 2010, the unrealized gain was \$1,408,731 thousand and \$1,643,520 thousand, respectively. As a result, \$234,789 thousand was recorded under other current liability and \$1,173,942 thousand and \$1,408,731 thousand, were booked under other liabilities - deferred credit for 2011 and 2010.

The Company originally rented the Neihu building from CPI Asia T-Mart Limited ("CPI"), a non-related party. On September 7th, 2011, CPI completed sale of ownership of this real estate to the Company's related party CaiWang Corporation. The Company renewed the rental agreement with CaiWang in November of 2011 in the spirit of the original agreement and the regulations of ROC law. No significant changes were made to the revised contract. In 2011, rental expense from the related party was NT\$87,548,000.(before deducting amortization of unrealized gains from the sale-leaseback)

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

(Unit: NT\$ thousands/Foreign Unit: dollars)

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Fortune Miles Co., Ltd.		941	Investment holding company	This was due mainly to the trading company under Fortune Miles remained operating at a loss, and therefore the equity method must be used to recognize the losses.	Partnering with manufacturers with more favorable cost competitive advantages.
Test-Rite Fortune Co., Ltd.		0	Investment holding company	In 2010, the process of dissolving and liquidating Jiashan Test Rite Warehousing (Shanghai) Co., Ltd. was completed. All funds associated with our equity ownership have been remitted back to the Company.	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

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
					expenses.
Test-Rite Investment (B.V.I.) Co., Ltd.		33,381	Investment in various industries	Gain recognized by equity method	Improve operational performance
Test-Rite Retailing Co., Ltd.		2,336,843	Investment holding company	This was due mainly to the fact that the holding company that invested in the retail operations of HOLA China was in the process of expanding new stores and the costs incurred prior to launching the stores must be recognized under the equity method.	NA
B&S Link Co., Ltd. (Cayman)		27,473	Investment holding company	Profit recognized by equity method	NA
Test-Rite Trading Co., Ltd.		1,102,494	Investment holding company	This was due mainly to the investment in the holding company of China Trading subsidiaries, the losses of which were recognized under the equity method.	Establish tighter control on costs and expenses.
TRS Investment Co., Ltd.		76,717	Investment holding company	This was due mainly to the investment in the holding company of Jiashan Te-Cheng Wood Industrial Co., Ltd., the profit of which was recognized under the equity method.	Signed equity transfer agreement of selling Jiashan Te-Cheng Wood Industrial Co., Ltd., holding shares in November 2011.
Test-Rite Pte. Ltd.		66,625	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Product (Hong Kong) Ltd.		11,513	Importation and exportation	Profit recognized by equity method	NA
Test-Rite Int'l (Australia) Pty Ltd.		56,235	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.		25,192	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Canada Co., Ltd.		30,854	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
					expenses.
Test-Rite (UK) Co., Ltd.		57,073	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Development Co., Ltd.		402,097	Investment holding company	This was due mainly to the investment in the holding company of our European trading sub-subsidiary, the loss of which were recognized under the equity method.	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Int'l (U.S.) Co., Ltd.		183,887	Importation and exportation	Profit recognized by equity method	NA
Test Rite de Mexico, S.A. de C.V.		4,493	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses
Test-Rite Int'l (Thailand) Ltd.		21,009	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Lih Chiou Co., Ltd.		4,182,737	Investment holding company	Profit recognized by equity method	NA
Lih Teh International Co., Ltd.		200,984	Logistics services	Profit recognized by equity method	NA
B&S Link Co., Ltd.		49,994	Providing information software and electronic information	Profit 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.		766,906	Authorized builder to build dwelling, rental and sale of building	Profit recognized by equity method	NA
Tong Lung Metal Industry Co., Ltd.		2,197,842	The manufacturer and sale of (1) various advanced lock, building metals	Profit recognized by equity method	NA

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
			parts and processed plastic goods (2) molding and tool machines and (3) kitchen and bathroom equipments (4) import and export business related to the aforementioned products		
Lucky International (Samoa) Ltd.		USD 22,400,000	Investment holding company	This was due mainly to the investment in the holding company of Tung Tong (Philippines) Metal Industry Co., Inc., the profit of which was recognized under the 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.		136,000	Interior design	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Hola Homefurnishings Co., Ltd.		300	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Homy Homefurnishings Co., Ltd.		300	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Freer Inc.		300	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Tony Construction		230,000	Build and civil	Profit recognized by equity	NA

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Co., Ltd.			engineering	method	
Test Cin M&E Engineering Co., Ltd.		32,500	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.		USD 512,000	Importation and exportation	Loss recognized by equity method	NA
Tony Investment Co., Ltd.		21,333	Investment in various industries	Profit recognized by equity method	Dissolved and liquidated on December 31, 2011.

7.5.2 Investment plan in one year

(Unit : NT\$ thousand)

Item	Remarks	Investment amount	Policies	Investment reason
Test-Rite Retailing Co., Ltd.		14,500	Investment holding company	With an optimistic outlook of China's retail market, we continued to invest in the retail operations of HOLA China to support our plan to open additional stores.
Test-Rite Trading Co., Ltd.		5,000	Investment holding company	Improve the capital structure of China Trading subsidiaries
Test-Rite (UK) Co., Ltd.		500	Importation and exportation	Improve the capital structure of TR UK
Test-Rite (Mexico) Co., Ltd.		1,000	Importation and exportation	Improve the capital structure of Mexico.
Test-Rite (Australia) Co., Ltd.		1,000	Importation and exportation	Improve the capital structure of Australia.
Test-Rite (Canada) Co., Ltd.		500	Importation and exportation	Improve the capital structure of Canada.
Test-Rite (Vietnam) Co., Ltd.		250	Importation and exportation	Improve the capital structure of Vietnam.

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	2010	2011
Ratio of liabilities to assets (%)	56.52	58.67
Interest Expense	69,024	85,841

Income before Tax	616,718	670,533
Ratio of Interest Expense to income before tax (%)	11.19	12.80

(a) The impact to company's profit and loss: The Company's interest expense on loans for the most recent two years, 2010 and 2011, was NT\$69,024,000 and NT\$85,841,000, respectively. Interest expense on loans has increased over previous year, the main reason was to fund increase in working capital.

(b) Future measurement: Because the profitability of both the Company's core business and investment business is sustainable, the amount of debt borrowed can be gradually repaid, financing amounts for future operating needs can be gradually decreased, and interest expenses can be lowered accordingly. The Company shall continue to closely monitor market interest rate trends, adjust its capital structure as needed, allocate capital as efficiently, and lower cost of capital.

(2) Foreign exchange rates

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

Unit : NT\$ thousand

Item / Year	2010	2011
Foreign exchange gain	154,756	102,373
Operating revenues	11,513,995	13,272,554
Income before income tax	616,718	670,533
Foreign exchange gain / Operating revenues (%)	1.34	0.77
Foreign exchange gain / Income before income tax (%)	25.09	15.27

(b) Future measurement: The Company is a professional trading company focusing predominantly on export trade. For the most recent fiscal year and in 2011, our export revenue accounted for approximately 90% of total revenue. We place orders with suppliers as soon as we receive purchase orders from customers. In accordance with the Company's order and sales process, we have adopted a two-way quotation system to shorten the entire order management process and are able to provide quotations that reflect the latest foreign exchange rate trends. In addition, the Company pays close attention to changes of the global economic landscape and fluctuations of foreign exchange rates of major currencies. Our overseas subsidiaries also constantly provide us with local market news and conditions, thereby enabling us to make adjustments to our hedging approaches.

In addition, the Company assesses the market price risk of financial instruments for transaction purposes based on market prices, and establishes stop-loss points based on our risk tolerance level. As for non-transactional financial instruments, since losses incurred from interest or exchange rate fluctuations generally offset the gain or loss of hedged items, market price risk is not significant.

(3) Inflation

Affected by rising costs of energy and raw materials, countries around the world are faced with the threat of inflation. Although inflation has very limited

effect on the Company due to the nature of our industry, we will continue to observe its impact closely.

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

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

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

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

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

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

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

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

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

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

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 have not been any changes in our image that 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 professional trading company and does not own any manufacturing plants, and therefore we do not have any plans to expand 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 swaps 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, so 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

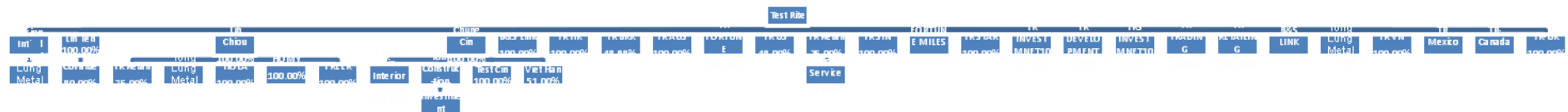
8.1 Summary of Affiliated Companies

8.1.1 Investment Holding Structure

8.1.2 Affiliates' Profile :

As of 12/31/2011

Name	Date of Incorporation	Address	Paid-up capital	Main business
Test-Rite Retail Co., Ltd.	3/1/1995	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD1,000,000,000	Sale of house decoration hardware and construction materials
Test-Rite Home Service Co., Ltd.	6/23/2004	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD136,000,000	Interior design
Hola Homefurnishings Co., Ltd.	9/30/2010	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD300,000	Sales of furniture
Homy Homefurnishings Co., Ltd.	10/1/2010	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD300,000	Sales of furniture



Freer Inc.	10/1/2010	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD300,000	Sales of furniture
Tong Lung Metal Industry Co., Ltd.	2/14/1977	No.62, Zhongxiao 1st St., Chiayi City , Taiwan (R.O.C.)	NTD812,662,860	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) kitchen and bathroom equipments (4) import and export business related to the aforementioned products
Chung Cin Enterprise Co., Ltd.	5/23/1994	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD690,000,000	Authorized builder to build dwelling, rental and sale of building

Test Cin M&E Engineering Co., Ltd.	9/8/1997	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD32,500,000	Mechanical and electronic engineering
Tony Construction Co., Ltd.	4/22/1992	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD230,000,000	Build and civil engineering
Chung Cin Interior Design Construction Co., Ltd.	7/31/2003	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD12,000,000	Interior design
B&S Link Co., Ltd.	2/5/2001	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD50,000,000	Providing information software and electronic information
Lih Teh International Co., Ltd.	9/14/1994	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD162,694,790	Logistics services
Lih Chiou Co., Ltd.	9/14/1994	8F, No. 270, Chung-Hsiao E. Rd., Sec. 4, Ta-an District, Taipei, Taiwan, R. O. C.	NTD4,194,140,000	Investment holding company
Fusion International Distribution, Inc.	10/6/1994	1F., No.201, Sec. 2, Anhe Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	NTD54,998,380	Importation and exportation
Test-Rite Pte. Ltd.	8/11/1989	2 ALEXANDRA ROAD#06-04A DELTA HOUSE, SINGAPORE 159919	S\$3,520,000	Importation and exportation
Test-Rite Int'l (Thailand) Ltd.	1/7/1989	121/52-53 13/FL,RS TOWER,RATCHADAPHISEK ROAD ,HUAY KWANG BANGKOK 10310,THAILAND	B\$22,500,000	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\$800,000	Importation and exportation
Test-Rite Product (Hong Kong) Ltd.	12/30/1980	7F, NEW BRIGHT BUILDING,11 SHEUNG YUET ROAD, KOWLOON BAY,KOWLOON ,HONG KONG	HK\$1,000,000	Importation and exportation
Test-Rite Int'l (U.S.) Co., Ltd.	6/25/1991	1013 Centre Road Wilmington New Castle State of Delaware	US\$12,878,800	Importation and exportation
Test-Rite Canada Co., Ltd.	12/29/1999	2800 John street, Unit 20, Markham Ontario, L3R 0E2, Canada	CAD\$1,025,100	Importation and exportation
Test Rite de Mexico, S.A. de C.V.	3/22/1996	Jardines#5, Colonia Plaza de la Colina 54080, Tlalnepantla, Estado de Mexico	PESO\$3,565,254	Importation and exportation
Test-Rite Int'l (Australia) Pty Ltd.	4/12/1990	Suite 3.01, 14 Lexington Dr, Bella Vista N.S.W., AUSTRALIA	A\$1,300,000	Importation and exportation
Test-Rite (UK) Co., Ltd.	7/27/2010	Unit 18, Basepoint Business Centre, 1 Winnall Valley Road, Winchester, Hampshire, SO23 0LD	GBP\$1,155,805	Importation and exportation

TR DEVELOPMENT	1/25/2002	Poppenbutteler Bogen 44, 22393 Hamburg, Germany	EURO\$9,670,000	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	ONE CAPITAL PLACE, GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES	US\$72,831,000	Investment holding company
TR TRADING	10/23/2002	ONE CAPITAL PLACE P.O. BOX897, GT GRAND CAYMAN, CAYMAN, BRITISH WEST INDIES	US\$34,126,495	Investment holding company
B&S Link	9/10/2001	ONE CAPITAL PLACE P.O. BOX 1787, GT GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES	US\$900,000	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
TRS INVESTMENT	1/17/2002	TRUST NET CHAMBERS, LOTEMAU CENTER, P.O.BOX 217, APIA,SAMOA	US\$2,275,590.58	Investment holding company

8.1.3 Affiliates' Operating Highlights

As of 12/31/2011
(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.	5,074,228	16,313,223	9,570,436	6,742,787	13,272,554	315,212	636,133	1.27
Test-Rite Retail Co., Ltd.	1,000,000	9,453,221	6,126,569	3,326,652	16,250,379	711,602	586,320	5.86
Test-Rite Home Service Co., Ltd.	136,000	146,810	79,327	67,483	320,287	(67,153)	(49,950)	(3.67)
Tong Lung Metal Industry Co., Ltd.	812,663	2,759,513	1,548,667	1,210,846	3,169,467	176,673	137,623	1.69
Chung Cin Enterprise Co., Ltd.	690,000	1,272,767	155,268	1,117,499	435,691	39,623	153,770	2.23
Test Cin M&E Engineering Co., Ltd.	32,500	133,556	51,054	82,502	355,200	33,417	28,206	8.68
Chung Cin Interior Design Construction Co., Ltd.	12,000	148,976	57,921	91,055	458,414	87,044	72,875	60.73
Tony Construction Co., Ltd.	230,000	172,851	254,940	317,911	1,429,852	(5,923)	17,964	0.78
Viet Han Co, Ltd.	30,603	25,416	186	25,230	143	(1,633)	1,206	0.39
B&S Link Co., Ltd.	50,000	70,066	22,631	47,435	111,173	14,606	14,785	2.96
Lih Teh International Co., Ltd.	162,695	238,355	36,774	201,581	214,180	24,283	22,860	1.41
Lih Chiou Co., Ltd.	4,194,140	4,675,894	13,168	4,662,726	0	0	402,889	0.96
Fusion International Distribution, Inc.	54,998	77,039	5,079	71,960	61,205	5,256	6,424	1.17
B&S Link Co., Ltd. (Cayman)	31,023	71,805	0	71,805	0	0	19,962	6.43
TRS Investment Co., Ltd.	76,717	63,343	0	63,343	0	0	(5,758)	(0.75)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Fortune Miles Co., Ltd.	947	1,115	0	1,115	0	(34)	(34)	(0.36)
Test-Rite Investment (B.V.I.) Co., Ltd.	17,387	22,821	0	22,821	0	(59)	40	0.02
Test-Rite Retailing Co., Ltd.	2,336,842	2,407,167	2,190,016	217,151	3,828,323	(302,566)	(313,845)	(1.34)
Test-Rite Trading Co., Ltd.	1,102,494	722,259	706,554	15,705	1,489,292	(170,645)	(176,662)	(1.60)
Test-Rite Product (Hong Kong) Ltd.	3,795	24,665	7,261	17,404	25,674	1,152	1,035	2.73
Test-Rite Pte. Ltd.	66,625	79,121	12,319	66,802	104,704	1,990	1,007	0.15
Test-Rite Int'l (Thailand) Ltd.	17,226	61,832	23,186	38,646	19,689	(6,114)	35,210	20.44
Test-Rite Int'l (Australia) Pty Ltd.	36,003	13,193	20,500	(7,307)	338	(35,635)	(16,297)	(4.53)
Test-Rite Development Co., Ltd.	474,414	103,872	50,440	53,432	407,391	14,396	(2,489)	(0.05)
Test-Rite Star Co., Ltd.	38,148	12,164	0	12,164	0	(62)	(62)	(0.02)
Test-Rite (UK) Co., Ltd.	57,073	45,213	16,312	28,901	12,361	(18,334)	(18,334)	(3.21)
Test-Rite Int'l (U.S.) Co., Ltd.	375,275	2,222,109	2,922,455	(700,346)	4,358,523	140,416	174,994	4.66
Test-Rite Vietnam Co., Ltd.	25,191	3,401	293	3,108	0	(8,939)	(8,476)	(3.36)
Test-Rite Canada Co., Ltd.	26,341	35,110	33,428	1,682	26,368	(12,340)	(13,314)	(5.05)

8.1.4. Consolidated financial statements of affiliated enterprises

Statement of Declaration

For fiscal year 2011 (January 1 to December 31, 2011), the affiliated enterprises that should be incorporated into the Company's consolidated financial statements pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and those that should be incorporated similarly in accordance with Statement of Financial Accounting Standards No. 7 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 29, 2012

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.