



IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO: FSD OF 2023 ()

IN THE MATTER OF SECTION 15 OF THE COMPANIES ACT (2023 REVISION)

AND IN THE MATTER OF TEST RITE RETAILING CO., LTD.

PETITION

To: The Grand Court

THE HUMBLE PETITION of Test Rite Retailing Co., Ltd, c/o The Harbour Trust Co Ltd,
Windward 1, Regatta Office Park, West Bay Road, P.O. Box 897, Grand Cayman KY1-1103,
Cayman Islands (the **Company**) **SHOWS THAT:**

Background

1. The Company is an exempted company limited by shares and incorporated in the Cayman Islands on 8 April 2003 under the Companies Act as amended (the **Companies Act**). The Company is registered under number 1214877.
2. The objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as was provided by Section 7(4) of the (then) Companies Act (2002 Revision).
3. The Company's current authorised share capital is US\$156,965,000 (**Share Capital**), divided into 156,965,000 shares of US\$1.00 each (the **Shares**). All of the Shares have been issued and are fully paid or credited as fully paid.
4. As at the date of this Petition the sole shareholder of the Company is Test Rite International Co., Ltd. (the **Sole Shareholder**), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange.
5. The Articles of Association of the Company (**Articles**) provide that, inter alia:
 - 5.1. the Company may, by special resolution reduce its share capital in any manner and with and subject to any incident authorized and consent required by law (Article 43);
 - 5.2. any action of the members may be taken without a meeting and without prior notice, if written consent, setting forth the action to be taken, is signed by a majority of the persons entitled to vote at a meeting of the members of the Company. Provided that if a special resolution is required and a meeting is not held the special resolution shall be passed by being approved in writing by all of the members entitled to vote at a general meeting of the Company (Article 70(b));
 - 5.3. any action of the directors, or alternate directors, may be taken without a meeting, and without prior notice, if written consent, setting forth the action to be taken, is signed by all the directors of the Company (Article (70(c))).

Proposed Capital Reduction

6. The Company is proposing to reduce its issued Share Capital to US\$146,965,000 divided into 146,965,000 fully paid shares of US\$1.00 each (**Capital Reduction**), by:
 - 6.1. cancelling 10,000,000 shares of nominal value US\$1,00 each; and
 - 6.2. transferring the credit amount of \$10,000,000 arising in the books of the Company from the Capital Reduction to set off against the accumulated losses of the Company.

7. The proposed Capital Reduction is for a discernable purpose, namely to:
 - 7.1. amend the balance sheet to assist the Company's current financial position by allowing the credit resulting from the Capital Reduction to be set off against the losses of the company, thereby reflecting the actual value of the shares; and
 - 7.2. permit the Sole Shareholder to claim a deduction of income tax in Taiwan for its investment losses in its subsidiary, the Company. When a profit-seeking enterprise files a tax return for investment losses, it must provide the documents evidencing a capital reduction authenticated by an embassy or consulate of the Republic of China, or a representative of commerce or foreign trade organisation. For this purpose, the Sole Shareholder will therefore need the certificate of capital reduction of the Company evidencing the investment losses in order to claim the deduction of income tax in its 2022 financial year tax return.

Financial Information

8. The unaudited management accounts of the Company (on an unconsolidated basis) as at 31 December 2022 show that the Company had:
 - 8.1. Shareholder's equity of US\$13,834,921.68;
 - 8.2. cash and cash equivalents of US\$597.83;
 - 8.3. an investment in a subsidiary in Hong Kong of US\$13,109,650.90 (comprising 100% of the shares of Test Rite Retailing Limited);

- 8.4. other non-current assets of US\$724,672.95, representing a deposit held by a mainland China Company for a lease entered into by the subsidiary and paid by the Company on the subsidiary's behalf;
 - 8.5. total assets of US\$13,834,921.68; and
 - 8.6. no liabilities.
9. As the Company has no liabilities, no creditor will be prejudiced by the Capital Reduction.
 10. Similarly, since all of the Company's Shares are fully paid or credited as paid in full, the Capital Reduction will not involve a diminution of liability in respect of any unpaid share capital nor the payment to any shareholder of any paid-up share capital.

Special Resolution

11. Pursuant to Article 70(c), on 9 December 2022 the Company's sole director resolved in writing that the Sole Shareholder be called upon to consider and if thought fit pass Written Resolutions approving the proposed Capital Reduction.
12. On 9 December 2022, the Sole Shareholder passed a special resolution in writing approving the reduction of the Share Capital as follows (**Special Resolution**):

"RESOLVED AS A SPECIAL RESOLUTION THAT:

- (a) *the issued share capital of the Company, which is in excess of the capital needs of the Company and is presently US\$156,965,000 divided into 156,965,000 shares of nominal value US\$1.00 each which are fully paid-up, be reduced to US\$146,965,000 divided into 146,965,000 shares of nominal value US\$1.00 each credited as fully paid up, by:*
 - (i) *cancelling and extinguishing 10,000,000 shares of nominal value US\$1.00 each held by the sole member of the Company (the "Capital Reduction") so that the issued capital of the Company and the authorised capital of the Company will be reduced to US\$146,965,000; and*
 - (ii) *transferring the credit amount of US\$10,000,000 arising in the books of the Company from the Capital Reduction to set off against the accumulated losses of the Company; and*
- (b) *the sole director of the Company be and is hereby generally authorised to do all such acts, deeds and things and to sign all documents as he may, in his absolute*

discretion, deem necessary, desirable or appropriate to give affect and implement this resolution."

13. The Special Resolution was validly passed in accordance with s 14 of the Companies Act and the Articles, in particular Article 70(b), which permits special resolutions to be passed in writing and without a meeting where there is unanimous assent.

14. The form of minute proposed to be registered is as follows:

*"The issued share capital of Test Rite Retailing Co., Ltd. (the **Company**) was by virtue of a special resolution of the Company dated [] 2022 (the **Special Resolution**) and with the confirmation of an order of the Grand Court of the Cayman Islands dated [] 2022 reduced from US\$156,965,000 represented by an authorised share capital of US\$156,965,000, divided into 156,965,000 shares of US\$1.00 each (of which 156,965,000 shares had been issued and fully paid) to US\$146,965,000 represented by an authorised share capital of US\$146,965,000, divided into 146,965,000 shares of US\$1.00 each (of which 146,965,000 shares have been issued and fully paid). The capital of the Company at the time of the registration of this minute is accordingly US\$146,965,000 divided into 146,965,000 shares of US\$1.00 each."*

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

15. The reduction of the share capital of the Company proposed to be effected by the Special Resolution set out at paragraph [12] above be confirmed and that the form of minute set out at paragraph [14] above be approved by the Court.

16. Such further orders be made as to the Court seem just.

Dated the 23rd day of February 2023



**Appleby (Cayman) Ltd.
Attorneys-at-Law for the Petitioner**

Note: This petition is not intended to be served

THIS PETITION was filed by Appleby (Cayman) Ltd., Attorneys-at-Law for the Petitioner, whose address for service is Clifton House, 71 Fort Street, PO Box 190, KY1-1104, George Town, Grand Cayman, Cayman Islands. (Ref: 454703.0001)

