



Test Rite International Co., Ltd.

2018 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System :

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

Test Rite's Annual Report is available at

<http://www.testitegroup.com>

Spokesperson

Name : Linda Lin

Title : CFO of Test Rite Int'l Co., Ltd.

Tel : 886-2-8791-5888

E-mail : investor@testritegroup.com

Headquarters, Branches and Plant

Headquarters

Address : 6F., No. 23, Hsin Hu 3rd Rd.,

Nei Hu 114, Taipei, Taiwan, R.O.C.

Tel: 886-2- 8791-5888

Deputy Spokesperson

Name : Eric Chang

Title : Vice President of the Group Investor Relationship Department

Tel : 886-2-8791-5888

E-mail : investor@testritegroup.com

Stock Transfer Agent

Registrar & Transfer Agency Department, Yuanta Securities Co., Ltd

Address : B1F, No. 210, Sec. 3, Chengde Rd., Taipei City, Taiwan (R.O.C.) 103

Tel : 886-2-2586-5859

Website : www.yuanta.com.tw

Auditors

Deloitte & Touche

Auditors : HUNG-Bin Yu , Ming-Yu Chiu

Address : 20F, No. 100, Songren Rd.

100 Chung Yan Road, Sec. 20

Xinyi Dist., Taipei, 11073, Taiwan

Tel. : 886-2-2725-9988

Website : http://www.deloitte.com/view/tc_TW/tw/index.htm

Corporate Website

<http://www.testritegroup.com>

Contents

I. Letter to Shareholders	1
II. Company Profile	
2.1 Date of Incorporation	5
2.2 Company History	5
III. Corporate Governance Report	
3.1 Organization	6
3.2 Directors, Supervisors and Management Team	8
3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents	17
3.4 Implementation of Corporate Governance	24
3.5 Information of Accountant's Fees	48
3.6 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders	49
3.7. Information Disclosing the Relationship between any of the Company's Top Ten Shareholders	51
3.8. Long-term Investment Ownership	52
IV. Capital Overview	
4.1 Capital and Shares	53
4.2 Issuance of Corporate Bonds	60
4.3 Preferred Shares	60
4.4 Issuance of Global Deposit Receipts	60
4.5 Employee Stock Options and restrictions on employees' rights of new shares	60
4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions	60
4.7 Financing Plans and Implementation	60
V. Operational Highlights	
5.1 Business Activities	61
5.2 Market and Sales Overview	74
5.3 Human Resources	78
5.4 Environmental Expenditure Information	79
5.5 Labor Relations	79
5.6 Important Contracts	83
VI. Financial Information	
6.1 Five-Year Financial Summary	86
6.2 Five-Year Financial Analysis	90
6.3 Supervisors' Report in the Most Recent Year	93
6.4 Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report	94
VII. Review of Financial Conditions, Operating Results, and Risk Management	
7.1 Analysis of Financial Status	158
7.2 Analysis of Operating Results	158
7.3 Analysis of Cash Flow	160
7.4 Major Capital Expenditure Items	160
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses,	

Improvement Plans and the Investment Plans for the Coming Year	160
7.6 Analysis of Risk Management	163
VIII. Special Disclosure	
8.1 Summary of Affiliated Companies	165
8.2 Private Placement Securities in the Most Recent Years	175
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	175
8.4 Other Necessary Supplement	175
8.5 Explanation for significant departures from shareholder' rights provisions for a primary listed or emerging market company	175
IX. Any Events in 2017 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan.....	175

I. Letter to Shareholders

Dear shareholders,

Even though Test-Rite was impacted by the US-China trade war, pension reform, and changes in customers' shopping patterns, its' accumulated revenue showed a steady growth in 2018. Under the efforts of all the employees, Test-Rite reported revenue of NT\$39.9 billion, net income of NT\$406 million, and basic EPS of NT\$0.8 in 2018. The Board has approved the management's proposal to distribute cash dividends at NT\$1.28/share, more than NT\$1.2 last year.

Test-Rite's trading business continued to hit a record in 2018, with a growth of 18.4% from 2017. Our agency business also delivered strong performance, with shipments up by 10.5% to NT\$13.3 billion. The substantial growth of the European and American markets drove the steady growth of shipments. Building on this momentum, Test-Rite decided to construct the second warehouse at the east coast of the U.S. Our strategy to sustain stable growth going forward encompasses the further expansion of sourcing on a global basis, development of a southbound policy, deepening relations with customers, strengthening product expertise and differentiation, and nurturing a new dynamism in delivering performance.

Our retail business in Taiwan was affected by a lackluster economic environment, the government's pension reform, and a weak real estate market. Our retail business reported revenue of NT\$16.5 billion in 2018, which was 1.7% lower than that in 2017. In response to the challenges posed by the external environment, we have intensified our customer-centric strategies through the integration of online and offline channels, a strong drive to increase online sales, and the use of new technologies to strengthen the shopping experience in retail stores. Having established a new retail business model, our TR Plus website saw a rise in sales by 43.4% to NT\$1 billion or more in 2018. At annual "November 11" festival, we combined our virtual and physical channels and posted a new single-day retail sales record of over NT\$200 million. Test-Rite also joined forces with Taobao, China's largest e-commerce platform, to launch a smart retail store, Taobao x hoi!, in Taiwan; meanwhile, TLW set a milestone with TLW Dadun, the first small-sized smart store. We remain poised to develop the full potential of all our retail channels.

As of the end of 2018, Test-Rite Group operated 27 TLW (DIY) stores, 26 HOLA stores, 2 Crate & Barrel stores, and 2 hoi! stores in Taiwan, as well as 21 HOLA stores in China.

The following is Test-Rite's consolidated operating result in 2018, along with the business plan for 2019 and future business strategies. We also include the highlight of potential influence from external competition, government regulations, and macroeconomic environment for your reference.

1. Operating result for 2018

(1) Operating result based on the business plan for 2018 (consolidated):

(NT\$ mn)	2018	2017	YoY Change by Value	YoY Change (%)
Net sales	39,898	36,963	2,935	7.9%
COGS	29,637	26,181	3,456	13.2%
Gross profit	10,261	10,783	(522)	(4.8%)
Operating expense	9,800	9,822	(22)	(0.2%)
Operating profit	461	961	(500)	(52.0%)
Non-operating profit/(loss)	(115)	150	(265)	(176.7%)
Net profit before tax	346	1,111	(765)	(68.9%)
Net profit after tax	419	826	(407)	(49.3%)
Recurring net profit attributed to TRIC	406	823	(417)	(50.7%)

(2) Operating result based on the business plan for 2018 (standalone):

(NT\$ mn)	2018	2017	YoY Change by Value	YoY Change (%)
Net sales	18,009	15,687	2,322	14.8%
COGS	15,277	12,742	2,535	19.9%
Gross profit	2,732	2,944	(212)	(7.2%)
Operating expense	2,538	2,473	65	2.6%
Operating profit	194	471	(277)	(58.8%)
Non-operating profit/(loss)	34	377	(343)	(91.0%)
Net profit before tax	229	848	(619)	(73.0%)
Net profit after tax	406	823	(417)	(50.7%)

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

Item/Year		2018	2017	YoY Change (%)
Balance Sheet	Total Liability/Total Asset	71.5%	66.5%	5.0%
	Current Ratio	110.9%	115.8%	(4.9%)
Profitability	ROE	5.4%	10.9%	(5.5%)
	Net Margin	1.0%	2.2%	(1.2%)
	EPS	0.8	1.61	(50.3%)

2. 2019 business plan and future development strategies

(1) Business plan and managerial principle:

A. Retail Business

- Increase private label sales and differentiating products and further optimize supply chain and product costs.
- Strengthen the integration of topical embedded products, develop co-branding and exclusive products, and follow the firm's promotion plan.
- Expand cooperation and product development with the end maker.
- Focus on expansion of existing brands on hand this year.
- Maintain the growth momentum of our TLW Home Improvement Service Unit in providing value-added services for our customers.
- Continue to improve interactive service and customer experience and further achieve optimal customer adhesion.
- Continue to expand sales channels, strengthen online and offline channels, and expand sales levels.

B. Trading Business:

- Reinforce our existing relationships with key accounts, such as Walmart, Hillman ,Costco, Chewy and Autozone among others, to increase shipments.
- Continue to leverage in-house design capabilities to provide differentiating products for both trading and retail businesses , so as to transform Test-Rite into a product company.
- Both principal and agency maintain existing relationships with trading customers and aggressively pursue potential business opportunities.
- Strengthen the global sourcing capabilities, deepen the southbound supply chain, and implement the diversification of procurement areas.
- QAQC service deepens internal and external customer service.

(2) Future Strategic Developments:

A. Retail business:

- Reinforce product portfolio, increase sales of private label products to improve profitability, and develop personalized and functionally differentiated products.
- Continue to introduce well-known and reputed products and brands.
- Develop communities, provide services, get close to consumers' demand, and exploit more innovative services.
- Enhance customer experience in retail stores.
- Enrich our customers' online and offline shopping experience and integrate online and offline resources.

B. Trading business:

- Leverage product development, procurement, and supply chain management to offer best-in-class value-added products and services to our customers.
- Strengthen self-development and designed capabilities, enhance customer experience, develop differentiated product functions, and respond quickly to meet market demand. Both principal and agency maintain existing relationships with trading customers and aggressively pursue potential business opportunities.
- Seek M&A opportunities in the trade and retail businesses to achieve and enhance the organic growth of the existing businesses.

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

According to the Department of Statistics, M.O.E.A., the wholesale of household items and building materials increased by 3.27% and dropped by 1.03% YOY, separately, in 2018, showing that the real estate market was still in the correction stage after rebounding from the bottom. The total number of houses transferred increased by 4.5% year on year in 2018. Demand mostly came from self-occupation rather than arbitrage. At present, the international economy lacks the momentum, and the China-US trade war brings the ripple effect. The Academia Sinica also conservatively revised down Taiwan's economic growth rate. If the regional housing market is short of large construction projects, or the overall economy lacks incentives, the trading volume of the housing market will not rebound quickly. Although the external environment has shown a clear sign of recovery, our retail business continues to focus on the things we have influence over in 2019, such as private label products and excellent customer experience, so as to secure our leading position in Taiwan.

Looking back at the international economic situation in 2018, global trade continued to heat up in the first half of the year, and oil prices remained high, resulting in the strong economic performance of major countries. The U.S. reported strong economic performance, with the stock market hitting record highs and the employment market growing steadily. Based on the figures of US PMI and NMI, the economy of the U.S. was still in the expansion stage. However, computer science and electronics, transportation equipment, machinery and construction industries were worried about the impact of the US-China trade war while the retailers believed that market demand remained strong. As the global economic expansion reached a peak in 2018, the economic growth of major trading countries will slow down in 2019; the oil prices will fall, and the adjustment of commodity price will be restricted, and mobile communication products will become saturated. In addition, negotiations between the U.S. and other countries are unclear. All factors mentioned above will result in the conservative demand of manufacturers. The global economic growth may face a slowdown in 2019.

With the impact of economic slowdown, rising debt levels, and the US-China trade war, China's economic growth rate was 6.6% in 2018, the lowest over the past 28 years. Under the pressure of government regulations, monetary contractions, and economic downturn, China's housing market and trading volume were sluggish in 2018. The slowdown in the real estate market and the economy brought severe challenges to HOLA China's online and offline stores. Despite the economic slowdown, China still has a huge demographic dividend and domestic demand, and competition remains intense for retailers.

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

Sincerely yours,

Chairman Judy Lee

II. Company Profile

2.1 Date of Incorporation: August 10th, 1978

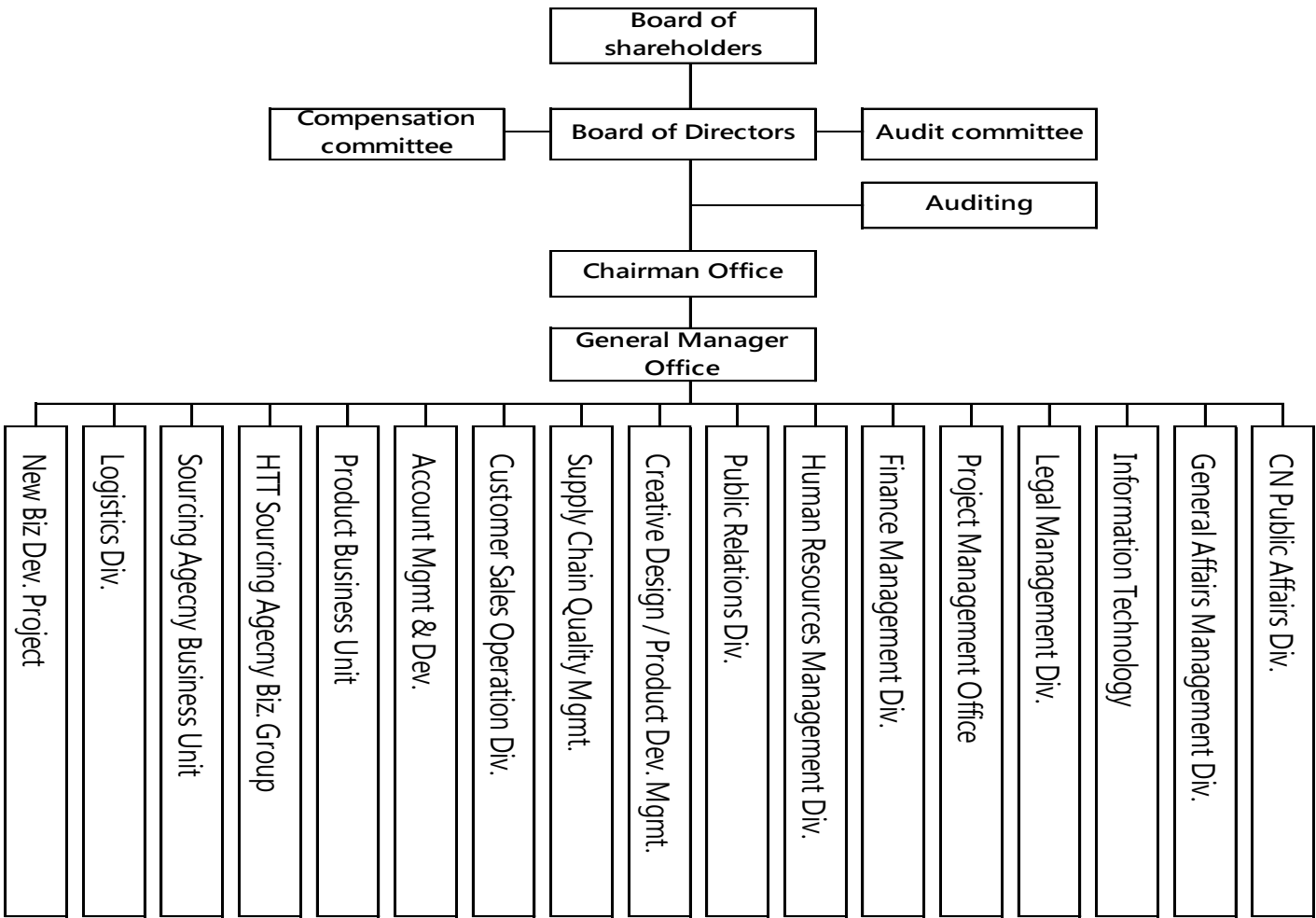
2.2 Company History

Year	Milestones
1978-91	Establishment and Growth
1988-90	“Best Supplier Award from Wal-Mart”
1993	Test Rite IPO (2908TT) –Taiwan Stock Exchange
1996-98	Launch of Retail Business B&Q TLW Taiwan 50-50 JV with Kingfisher HOLA –“House of Living Art”
2000	Packing facilities established in Shanghai and Shenzhen
2001	Named “The Best 200 Small Companies” by Forbes
2004	Retail: Inception of HOLA China
2006	HOLA (2921TT) IPO –Taiwan OTC Exchange Acquisition of Tong-Lung Metal (OTC listed 8705 TT)
2007	Nei-Hu HQ Building Sale-and-Leaseback Purchase of Kingfisher's 50% joint venture stake of TLW Taiwan (US\$100mn)
2009	4-in-1 Merger of Taiwan Retail channels: TLW (DIY), HOLA, Freer, and HOLA Casa.
2010	Accelerate pace of store openings of HOLA China Canceled 14.8mn treasury shares
2011	Décor House grand opening in September. Received Best Supplier Award from Wal-Mart. Received Best Cooperation Partner Award from Michaels.
2012	Sold TLM to Stanley Black & Decker(Proceed of NT\$2.3bn). Merged outstanding shares of TR USA (US\$13.8mn). Opened of discount household channel TAYOHYA in Taiwan.
2013	Acquired International Art, a trading company with specialization in Seasonal, House ware, Garden tools, and stationary. Received 2013 Outstanding Services Award from Michaels.
2014	Established warehousing and distribution center in the Shanghai Free-Trade Zone.
2015	Completed M&A transaction for shares in German trading subsidiary. Introduced the first Crate & Barrel store in Taiwan.
2016	TLW new concept store in XiTun Taichun and Test Rite International makes strategic alliance with the Hillman Group.
2017	The TR Plus website was launched for the integration of online and offline selling channels.
2018	Test-Rite Group cooperate with Taobao to introduce a new retail concept and launch new brand “ hoi! good living”.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Chairman's Office	Foster smooth operation of the Group and strengthen business management mechanisms, to assist the Chairperson in day-to-day administration of the Company, to arrange business schedules, and to carry out designated projects
General Manager's Office	Responsible for evaluation/formulation of business strategies and other related matters of the company.
Audit	Responsible for internal audit functions; ensure the established internal control system is effectively carried out and implemented by the Company and its subsidiaries.
China Public Affairs Department	China-related general affairs and external relations management.
Group General Administration Department	Group general administration and management, capital equipment, and building general management.
Group Information Systems Management	Implementation and planning of computer hardware equipment and software planning, program design, and implementation for internal corporate applications for the Group.
Group Legal	Management of corporate counsel, litigation; reviewing of contracts, trademark patents, legal affairs, and regulatory compliance.
Group Project Management Office	Strategy and project management, process management, and optimization of operations.
Group Financial & Planning Management	Corporate governance implementation, investor relationship management, bank relationship management, fund allocation management, group insurance and risk management, shareholder services management, implementation of corporate governance, accounting management, P&L analysis, Group budgeting and investment planning.
Group Human Resource Management	Planning and integration of Human resource planning and integration, employee benefits planning and implementation, industrial relations coordination, and staff education, training, and development.
Group Public Relationship	Group public relations maintain media exposure and brand image management.
Trading and Sales Department	Planning, development, design, sourcing, sales promotion, and providing clients with information. Client relations management and customer services for products, such as hand tools, home hardware, family suppliers and electronics, seasonal merchandise, stationery, gifts, interior furniture, and IT products.
Trading Brand Development Project	Trading Group product brand management and expansion.
Trading Agency Development	Agency business promotion; provision of information and services for customers.
Account Management	Supporting product client related business.
Customer Sales Operation Management	Supporting trading products.
Group Logistics	Support for logistics management and other related operations of business units.
Group Creative Design & Product Development	Provide research and development designs, artwork, and marketing strategies for new products
Group New Business Development Project	Business related projects of innovative products developed.
Group HTT Sourcing Agency Biz	Test-Rite has the strategic partnerships with our customers to and carry out the agency business on behalf of its to provide customer's product quality and service.
Sourcing Agency Business Unit	Promote the agency business and search service.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

As of April 22, 2019

Title	Nationality	Name	Gender	Date Elected	Term - Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Ms. Judy Lee	Female	2018.06.19	3	1983.07.04	36,050,614	7.07	25,711,294	5.00	38,995,550	7.59	0	0.00	President of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd. ; Director of Tong Long Metal Industry Co., Ltd. ; Department of Bank and Insurance/ Tamkang University	Note 1	Director Director	Tony Ho Robin Ho	Family Family
Director	Republic of China	Mr. Tony Ho	Male	2018.06.19	3	1983.07.04	42,682,905	8.37	38,995,550	7.59	25,711,294	5.00	0	0.00	Chairman of Test Rite Int'l Co., Ltd.; Chairman of Test Rite Retail Co. Ltd.; Chairman of Tong Long Metal Industry Co., Ltd.; National Taiwan University & Fudan University/EMBA Clesses	Note 2	Director Director	Judy Lee Robin Ho	Family Family
Director	Republic of China	Ms. Robin Ho	Female	2018.06.19	3	2010.06.15	761,431	0.15	1,949,579	0.38	336,000	0.07	0	0.00	COO of Test Rite Int'l Co., Ltd.; Department of Business/ Management University of Southern California; MBA of Fujen Catholic University Graduate Institute of Management	Note 3	Director Director	Tony Ho Judy Lee	Family Family
Director	Republic of China	Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	Male	2018.06.19	3	2012.06.18	588,000 0	0.12 0.00	674,083 0	0.13 0.00	0	0.00	0	0.00	Chairman of Taiwan Financial Asset Service Co., Ltd., ; Director-general National Taxation Bureau of the North Area, Ministry of Finance; Deputy Director-general National Taxation Bureau of Taipei, Ministry of Finance; Master of Business Administration United States REGIS University; Soochow University Master of Law Research Institute	Note 4	-	-	-
Independent Director	Republic of China	Mr. Yung-Chi Lai	Male	2018.06.19	3	2018.06.19	0	0.00	0	0.00	0	0.00	0	0.00	Senior examination for Tax administration highest level qualification;CAP exam passed; Taxation and Tariff Committee officer; National Award of Outstanding SMEs evaluation committee member;Member of National Health Insurance Supervisory Committee, Department of Health, Executive Yuan;Member of Labor Pension fund Supervisory Committee, Council of Labor Affairs, Executive Yuan; Members of Presidential office Economic Development Advisory Conference;Supervisor of National Association of Small & Medium enterprises R.O.C.; Executive Supervisor of Taiwan Provincial Association of Accountants; Director of Chinese Management Association.	Note 5	-	-	-
Independent Director	Republic of China	Mr. Ting-Yang Liu	Male	2018.06.19	3	2015.06.15	0	0.00	0	0.00	0	0.00	0	0.00%	Principal of Taipei University of Maritime Technolog; Dean of Graduate Institute of Human Resource and Knowledge Management at National Kaohsiung Normal University; Dean of Student Affairs of I-Shou University, Researcher of Centre for Human Resource Development and Management Studies at Peking University; Independent director of HER CHEE Industrial Co.,Ltd.; Independent director of Tekom Technologies, Inc; School of Government, Peking University, Juris Doctor; Alliant International Universit, Doctor of Education	Note 6	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term - Years	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Republic of China	Ms. Jo Yeh	Female	2018.06.19	3	2018.06.19	0	0.00	0	0.00	0	0.00	0	0.00	Credit analyst of Westpac staged financing companyTaiwan branch;AVP of Chase Manhattan Bank Taipei Branch; Executive Director of Canadian Imperial Bank of commerce Taipei Branch; Business Director of Comdisco Taiwan; Senior vice president of China Trust Commercial Bank Head Office; Managing Director of Citi Bank Taiwan; Independent director at Board of Bank Sinopac, and credit committee and risk management committee member at Bank Sinopac.	Note 7	-	-	-

- Note:
- Director of Test Rite Retail Co., Ltd. 、Director of Test-Rite Home Service Co., Ld. 、Director of Hola Homefurnishings Co., Ltd. 、Director of Testrite Brand Agency Co., Ltd. 、Director of Test Rite C&B Co., Ltd. 、Director of Chung Cin Enterprise Co., Ltd. 、Director of Lih Teh International Co., Ltd. 、Director of Lih Chiou Co., Ltd. 、Director of Fusion International Distribution Inc. 、Director of B&S Link Co., Ltd, Ltd. 、Chairman of Home Tech Co., Ltd. 、Chairman of International Art Co., Ltd. 、Chairman of Test Rite Business Development Corporation(China) Co., Ltd. 、Chairman of B&S Link (Shanghai) Co., Ltd. 、Chairman of HOLA Shanghai 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 Pro-Quality Service Limited Corporation 、Chairman of Energy Retailing Co., Ltd. 、Chairman of Test Rite (China) Investment Co., Ltd. 、Director of Test Rite Int'l (U.S.) Co., Ltd. 、Director of Test Rite Products Corp. 、Director of Homezone International Corporation 、Director of Test Rite Int'l (Canada) Ltd. 、Director of Test-Rite Int'l (Australia) Pty Ltd. 、Director of Test Rite Pte Ltd. 、Director of Test Rite Products (Hong Kong) Ltd.. 、Director of Test-Rite (UK) Ltd. 、Director of Rui Feng International Co., Ltd. 、Director of Fortune Miles Trading Inc. 、Director of Upmaster International Co., Ltd. 、Director of Test-Rite Development GmbH 、Director of Test-Rite International (Germany) GmbH 、Director of Test-Rite Germany Import GmbH
 - Chairman of Test Rite Retail Co., Ltd. 、Director of Test-Rite Home Service Co., Ltd. 、Chairman of Hola Homefurnishings Co., Ltd. 、Chairman of Testrite Brand Agency Co., Ltd. 、Chairman of Test Rite C&B Co., Ltd. 、Chairman of Chung Cin Enterprise Co., Ltd. 、Chairman of Lih Teh International Co., Ltd. 、Chairman of Lih Chiou Co., Ltd. 、Chairman of Fusion International Distribution Inc. 、Chairman of B&S Link Co., Ltd. 、Director of Test Rite Int'l (U.S.) Co., Ltd. 、Director of Test Rite Products Corp. 、Director of Homezone International Corporation 、Director of Test Rite Int'l (Canada) Ltd. 、Director of Test Rite Int'l (Australia) Pty. 、Director of Test Rite Products (Hong Kong) Ltd. 、Director of Test Rite Viet Nam Co., Ltd 、Director of Test Rite Retailing Limited 、Director of Perfect Group International Limited 、Director of Test Rite South American Co., Ltd. 、Director of Test Rite Trading Co., Ltd. 、Director of Test Rite Retailing Co., Ltd. 、Director of B&S Link Corporation 、Director of Test-Rite Star Co., Ltd. 、Director of Test Rite International Investment Co., Ltd. 、Director of Upmaster International Co., Ltd. 、Director of Test-Rite Development GmbH 、Director of Test-Rite International (Germany) GmbH 、Director of Test-Rite Germany Import GmbH
 - Director of Test Rite Retail Co., Ltd. 、Director of Test-Rite Home Service Co., Ltd. 、Director of B&S Link Co., Ltd. 、Director of Home Intelligence Co., Ltd 、Director of International Art Co., Ltd. 、Director of Test Cin M&E Engineering Co., Ltd. 、Director of Test Rite Business Development Corporation (China) Co., Ltd. 、Director of B&S Link (Shanghai) Co., Ltd. 、Director of HOLA Shanghai 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 Energy Retailing Co., Ltd. 、Director of Test Rite (China) Investment Co., Ltd. 、Director of Pro-Quality Service Limited Corporation 、Director of Test Rite Int'l (Australia) Pty. 、Director of Test-Rite (UK) Ltd. 、Director of Rui Feng International Co., Ltd. 、Director of Test-Rite Development GmbH 、Director of Test-Rite International (Germany) GmbH 、Director of Test-Rite Germany Import GmbH 、GM of Test-Rite International (U.S.)Co., Ltd.
 - Independent Director of Garnd Pacific Petrochemical Corporation 、Independent Director of Advancetek Enterprise Co., Ltd. 、Independent Director of Hiyes International Co., Ltd.
 - Member of Test-Rite Audit Committee and chairman 、Member of Test-Rite Remuneration Committee and Chairman 、Partner and Director of Baker Tilly Clock & Co 、Associate Professor of National Taipei University of Technology.
 - Member of Test-Rite Audit Committee 、Member of Test-Rite Remuneration Committee 、Professor of Graduate Institute of Human Resource and Knowledge Management at National Kaohsiung Normal University 、Visiting professor of School of Business at Macau University of Science and Technology 、Director of Li-Chih Valuable Svchool 、Advisors of Taipei City Government 、Member of Level Biotechnology Inc Committee 、Member of Research Development and Evaluation Commision Kaohsiung City Govemment.
 - Member of Test-Rite Audit Committee 、Member of Test-Rite Remuneration Committee 、Managing Director of Everglory Group Pte. Ltd.

Major shareholders of the institutional shareholders

As of April 22, 2019

Name of institutional shareholders	Major shareholders of the institutional shareholders
Property International Company Limited	Ms. Lee, Ai-Chen 100%

Major shareholders of the major shareholders that are juridical persons

As of April 22, 2019

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

Professional qualifications and independence analysis of directors and supervisors

As of April 22, 2019

Name	Criteria	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, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Ms. Judy Lee			✓								✓		✓	✓	0
Mr. Tony Ho			✓						✓		✓		✓	✓	0
Ms. Robin Ho			✓								✓		✓	✓	0
Mr. Yung-Chi Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Mr. Ting-Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ms. Jo Yeh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Property Int'l Co., Ltd. Representative: Mr. Wen-Tzong Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		3

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

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

3.2.2 Management Team

As of April 22, 2019

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Strategy and new business development CEO	Republic of China	Tony Ho	Male	1975.09.01	38,995,550	7.59%	25,711,294	5.00%	0	0.00%	President of Test Rite Int'l Co., Ltd.; National Taiwan University & Fudan University/EMBA Classes;	Note 1	Corporate governance and risk control CEO Chief Operating Officer (COO) Vice President	Judy Lee Robin Ho Kelly Ho	Spouse Family Family
Corporate governance and risk control CEO	Republic of China	Judy Lee	Female	1975.09.01	25,711,294	5.00%	38,995,550	7.59%	0	0.00%	President of Test Rite Int'l Co., Ltd.; Department of Bank and Insurance/ Tamkang University	Note 2	Strategy and new business development CEO Chief Operating Officer (COO) Vice President	Tony Ho Robin Ho Kelly Ho	Spouse Family Family
President	Republic of China	Sophia Tong	Female	2009.3.23	1,637,909	0.32%	0	0.00%	0	0.00%	GM of IBM Taiwan; Department of Foreign Languages/National Taiwan University	Note 3	-	-	-
Chief Operating Officer (COO)	Republic of China	Robin Ho	Female	2009.5.1	1,949,579	0.38%	336,000	0.07%	0	0.00%	VP of Test Rite Int'l Co., Ltd.; MBA, Fujen Catholic University	Note 4	Strategy and new business development CEO Corporate governance and risk control CEO Vice President	Tony Ho Judy Lee Kelly Ho	Family Family Family
Business Development General Manager	Republic of China	Shelley Chen	Female	2007.5.1	681	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of International Trade/ Ming Chuan College	-	-	-	-
Business Development General Manager	Republic of China	Eirc Lin	Male	2018.3.1	0	0.00%	0	0.00%	0	0.00%	SAP SE Chief Executive Officer Chung Yuan Christian University physics	-	-	-	-
Vice President	Republic of China	John Peng	Male	1998.9.1	315,223	0.06%	0	0%	0	0.00%	Product Manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 5	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	Republic of China	Gillian Joe	Female	2008.7.21	10,307	0.00%	0	0.00%	0	0.00%	Managing consultant of IBM Taiwan; University of Central Okalahoma	-	-	-	-
Vice President	Republic of China	Lawrence Wu	Male	2007.3.1	68,668	0.01%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd.; Keelung Maritime Vocational High School	Note 6	-	-	-
Vice President	Republic of China	Bob Yueh	Male	2009.3.1	13,454	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Industrial Engineering/ Feng Chia University	-	-	-	-
Vice President	Republic of China	Edward Kao	Male	2009.3.1	414,405	0.08%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; MBA, New Jersey Institute of Technology	-	-	-	-
Vice President	Republic of China	CC Fan	Male	2010.6.10	0	0.00%	0	0.00%	0	0.00%	Principal Consultant Of IBM Taiwan; MS, The University of North Alabama	-	-	-	-
Vice President	Republic of China	Maggy Chen	Female	2011.12.5	354,512	0.07%	147	0.00%	0	0.00%	General manager of Freer Inc. , Department of Business Management, Soochow University	-	-	-	-
Vice President	Republic of China	Linda Lin	Female	2003.1.1	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/ Ming Chuan College	Note 7	-	-	-
Vice President	Republic of China	Ted Ho	Male	2014.7.4	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of Global Information Technology Services Division, IBM Taiwan; Senior Vice President of Test-Rite Home Service Co., Ltd.; Computer science department /Chung Yuan Christian University	-	-	-	-
Vice President	Republic of China	Lancy Wu	Female	2007.5.1	11,184	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Master of Department of Business Administration, National Taipei University	-	-	-	-
Vice President	Republic of China	Monica Chen	Female	2009.6.15	130,408	0.03%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Accounting Statistics/Shih Chien College	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	Republic of China	Charlene Ka	Female	2016.8.1	0	0.00%	0	0.00%	0	0.00%	Director of Media Tek Inc. San Jose State University/Instructional Technology a master	-	-	-	-
Vice President	Republic of China	Jennie Hsu	Female	2016.02.04	10,000	0.00%	0	0.00%	0	0.00%	Executive Vice President of PinJang Enterprise Ltd.; Shilin High School of Commerce	-	-	-	-
Vice President	Republic of China	Eddie Wei	Male	2013.2.18	0	0.00%	0	0.00%	0	0.00%	Creative Design Director of Wisefame International Ltd.; Design Director of GoerTek Inc.; Master, Department of Industrial Design/ Shih Chien University	-	-	-	-
Vice President	Republic of China	Lori Huang	Female	2018.3.19	0	0.00%	0	0.00%	0	0.00%	Taiwan Mobile Co., Ltd., Vice Director National Sun Yat-sen University Department of Information Management	-	-	-	-
Vice President	Republic of China	Eric Chang	Male	2016.7.1	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Tunghai University MBA	Note 8	-	-	-
Vice President	Republic of China	Jamie Kuo	Female	2017.4.1	45,570	0.01%	0	0.00%	0	0.00%	Hwa Fong Rubber Ind. Co., Ltd.; Tamkang University/ department of economics	-	-	-	-
Vice President	Republic of China	Agnes Shih	Female	2019.1.1	8	0.00%	0	0.00%	0	0.00%	Chinese Culture Univer Department of Korean Language and Literature	-	-	-	-
Director	Republic of China	Alex Yu	Male	2005.2.1	88,551	0.02%	0	0.00%	0	0.00%	Manager of SAMPO Co., Ltd.; Department of Mechanical Engineering/ Chung Yuan Christian University	-	-	-	-
Director	Republic of China	Austin Lin	Male	2011.8.11	0	0.00%	0	0.00%	0	0.00%	FUJITSU TAIWAN Ltd./Senior manager; Department of Computer Science and Information Engineering, Chung Hua University	-	-	-	-
Director	Republic of China	Johnson Lee	Male	2011.12.6	81,766	0.02%	0	0.00%	0	0.00%	AVP B&S Link Co., Ltd.; Department of Electronic Engineering / Technology and Science Institute of Northern Taiwan	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Republic of China	Hampfrey Wang	Male	2012.7.2	0	0.00%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd. ; Department of History/ National Taiwan University	-	-	-	-
Director	Republic of China	Jenny Chen	Female	2014.8.19	0	0.00%	0	0.00%	0	0.00%	Senior Manager of Test Rite Int'l Co., Ltd.; Department of Business Management/ Ming Chuan University	-	-	-	-
Director	Republic of China	Celine Hsien	Female	2015.3.1	0	0.00%	0	0.00%	0	0.00%	Sales Manager of International AIM; Senior Manager of Test Rite Int'l Co., Ltd.; Department of Business Management/ National Central University	-	-	-	-
Director	Republic of China	Ya-Pei Kang	Female	2015.07.06	0	0.00%	0	0.00%	0	0.00%	Manager of MediaTek Inc.; Master of Industrial and Labor Relations, Cornell University	-	-	-	-
Director	Republic of China	Bruce Shen	Male	2016.02.23	0	0.00%	0	0.00%	0	0.00%	AVP of Test Rite Int'l Co., Ltd.; Department of Mass Communication, Tamkang University	-	-	-	-
Director	Republic of China	Antyia Tsai	Female	2017.2.3	917	0.00%	0	0.00%	0	0.00%	MultiStar Industry co., Industry co., Ltd. Private Chinese Culture University/department of chinese language and literature	-	-	-	-
Director	Republic of China	Harrison Yang	Male	2017.6.1	649	0.00%	0	0.00%	0	0.00%	Sinyi Realty Inc. Ming Chi University of Technology/Industrial Engineering and Management	-	-	-	-
Director	Republic of China	Lisa Lin	Female	2018.7.11	520,772	0.10%	967	0.00%	0	0.00%	Ming Chuan University, Department of Accounting and Information Technology	-	-	-	-
Director	Republic of China	Greg Chang	Male	2019.2.1	0	0.00%	0	0.00%	0	0.00%	ADLINK Technology New York University Computer Science	-	-	-	-

Note :

1. Chairman of Test Rite Retail Co., Ltd. 、 Director of Test-Rite Home Service Co., Ltd. 、 Chairman of Hola Homefurnishings Co., Ltd. 、 Chairman of Testrite Brand Agency Co., Ltd. 、 Chairman of Test Rite C&B Co., Ltd. 、 Chairman of Chung Cin Enterprise Co., Ltd. 、 Chairman of Lih Teh International Co., Ltd. 、 Chairman of Lih Chiou Co., Ltd. 、 Chairman of Fusion International Distribution Inc. 、 Chairman of B&S Link Co., Ltd. 、 Director of Test Rite Int'l (U.S.) Co., Ltd. 、 Director of Test Rite Products Corp. 、 Director of Homezone International Corporation 、 Director of Test Rite Int'l (Canada) Ltd. 、 Director of Test Rite Int'l (Australia) Pty. 、 Director of Test Rite Products (Hong Kong) Ltd. 、 Director of Test Rite Viet Nam Co., Ltd. 、 Director of Test Rite Retailing Limited 、 Director of Perfect Group International Limited 、 Director of Test Rite South American Co., Ltd. 、 Director of Test Rite Trading Co., Ltd. 、 Director of Test Rite Retailing Co., Ltd. 、 Director of B&S Link Corporation 、 Director of Test-Rite Star Co., Ltd. 、 Director of Upmaster International Co., Ltd. 、 Director of Test-Rite Development GmbH 、 Director of Test-Rite International (Germany) GmbH 、 Director of Test-Rite Germany Import GmbH
2. Director of Test Rite Retail Co., Ltd. 、 Director of Test-Rite Home Service Co., Ltd. 、 Director of Hola Homefurnishings Co., Ltd. 、 Director of Testrite Brand Agency Co., Ltd. 、 Director of Test Rite C&B Co., Ltd. 、 Director of Chung Cin Enterprise Co., Ltd. 、 Director of Lih Teh International Co., Ltd. 、 Director of Lih Chiou Co., Ltd. 、 Director of Fusion International Distribution Inc. 、 Director of B&S Link Co., Ltd. 、 Director of Chairman of Home Tech Co., Ltd. 、 Chairman of International Art Co., Ltd. 、 Chairman of Test Rite Business Development Corporation(China) Co., Ltd. 、 Chairman of B&S Link (Shanghai) Co., Ltd. 、 Chairman of HOLA Shanghai 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 Pro-Quality Service Limited Corporation 、 Chairman of Energy Retailing Co., Ltd. 、 Chairman of Test Rite (China) Investment Co., Ltd. 、 Director of Test Rite Int'l (U.S.) Co., Ltd. 、 Director of Test Rite Products Corp. 、 Director of Homezone International Corporation 、 Director of Test Rite Int'l (Canada) Ltd. 、 Director of Test-Rite Int'l (Australia) Pty Ltd. 、 Director of Test Rite Pte Ltd. 、 Director of Test Rite Products (Hong Kong) Ltd. 、 Director of Test-Rite (UK) Ltd. 、 Director of Rui Feng International Co., Ltd. 、 Director of Fortune Miles Trading Inc. 、 Director of Upmaster International Co., Ltd. 、 Director of Test-Rite Development GmbH 、 Director of Test-Rite International (Germany) GmbH 、 Director of Test-Rite Germany Import GmbH
3. Director and GM of Test Rite Retail Co., Ltd. 、 Director of Test-Rite Home Service Co., Ltd. 、 Director of International Art Co., Ltd. 、 Director of Home Tech Co., Ltd. 、 Director of Test-Rite (UK) Ltd.
4. Director of Test Rite Retail Co., Ltd. 、 Director of Test-Rite Home Service Co., Ltd. 、 Director of B&S Link Co., Ltd. 、 Director of Home Tech Co., Ltd. 、 Director of International Art Co., Ltd. 、 Director of Chung Cin Enterprise Co., Ltd. 、 Director of Test Cin M&E Engineering Co., Ltd. 、 Director of Test Rite Business Development Corporation (China) Co., Ltd. 、 Director of B&S Link (Shanghai) Co., Ltd. 、 Director of HOLA Shanghai 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 Energy Retailing Co., Ltd. 、 Director of Test Rite (China) Investment Co., Ltd. 、 Director of Pro-Quality Service Limited Corporation 、 Director of Test Rite Int'l (Australia) Pty. 、 Director of Test-Rite (UK) Ltd. 、 Director of Test Rite International (Thailand) Ltd. 、 Director of Rui Feng International Co., Ltd. 、 Director of Test-Rite Development GmbH 、 Director of Test-Rite International (Germany) GmbH 、 Director of Test-Rite Germany Import GmbH 、 GM of Test-Rite International (U.S.)Co., Ltd.
5. Supervisor of Test Rite Business Development Corporation (China) Co., Ltd. 、 Supervisor of B&S Link (Shanghai) Co., Ltd. 、 Supervisor of Test Rite (China) Investment Co., Ltd. 、 Supervisor of HOLA Shanghai 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 Pro-Quality Service Limited Corporation 、 GM of Energy Retailing Co., Ltd.
6. Director of Test Rite South America Co., Ltd.
7. Supervisor of Test Rite Retail Co., Ltd. 、 Supervisor of Test-Rite Home Service Co., Ltd. 、 Supervisor of Hola Homefurnishings Co., Ltd. 、 Supervisor of Testrite Brand Agency Co., Ltd. 、 Supervisor of Test Rite C&B Co., Ltd. 、 Supervisor of Chung Cin Enterprise Co., Ltd. 、 Supervisor of B&S Link Co., Ltd. 、 Supervisor of Home Tech Co., Ltd. 、 Supervisor of Lih Teh International Co., Ltd. 、 Supervisor of Lih Chiou Co., Ltd. 、 Supervisor of Fusion International Distribution Inc. 、 Supervisor of International Art Co., Ltd.
8. Supervisor of Test Rite Retail Co., Ltd. 、 Supervisor of Test-Rite Home Service Co., Ltd. 、 Supervisor of Lih Teh International Co., Ltd. 、 Supervisor of Pro-quality Service Co., Ltd. 、 Supervisor of Lih Chiou Co., Ltd.

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

3.3.1 Remuneration of Directors

As of Dec. 31, 2018 : 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)		Directors and supervisors' remunerations (C)		Allowances (D)			Salary, Bonuses, and Allowances(E)		Severance Pay (F)		Employee compensation (G)							
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities			
										Cash							Stock	Cash	Stock	The company		From All Consolidated entities
Chairman	Ms. Judy Lee	4,000	4,000	0	0	3,166	3,166	348	360	1.85%	1.85%	15,944	43,537	1,092	1,092	141	0	1,305	0	6.07%	13.15%	0
Director	Mr. Tony Ho																					
Director	Ms. Robin Ho																					
Independent Director	Mr.Yung-Chi Lai																					
Independent Director	Mr. Ting-Yang Liu																					
Independent Director	Ms. Jo Yeh																					
Director	Property Int'l Co. Ltd. Representative: Mr. Wen-Tzong, Chen																					
Director(Note 2)	Property Int'l Co. Ltd. Representative: Ms. Ai Chen Lee																					
Independent Director(Note 2)	Mr. Hung-Hsun Ting																					

Note 1 : The Company's contribution to employee's pension account, not actual amount paid.

Note 2: Resigned in 2018/06/19

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
Under NT\$ 2,000,000	Ms. Robin Ho 、Mr.Yung-Chi Lai 、Mr. Ting-Yang Liu 、Ms.Yeh Jo 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee(Note 1) 、Mr. Hung-Hsun Ting(Note 1)	Ms. Robin Ho 、Mr.Yung-Chi Lai 、Mr. Ting-Yang Liu 、Ms.Yeh Jo 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee(Note 1) 、Mr. Hung-Hsun Ting(Note 1)	Mr.Yung-Chi Lai 、Mr. Ting-Yang Liu 、Ms.Yeh Jo 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee(Note 1) 、Mr. Hung-Hsun Ting(Note 1)	Mr.Yung-Chi Lai 、Mr. Ting-Yang Liu 、Ms.Yeh Jo 、Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen 、Property Int'l Co., Ltd. Representative : Ms. Ai-Chen Lee(Note 1) 、Mr. Hung-Hsun Ting(Note 1)
NT\$2,000,000 ~ NT\$5,000,000	Mr. Tony Ho 、Ms. Judy Lee	Mr. Tony Ho 、Ms. Judy Lee	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-	Mr. Tony Ho 、Ms. Robin Ho	-
NT\$10,000,000 ~ NT\$15,000,000	-	-	Ms. Judy Lee	Ms. Robin Ho
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	Ms. Judy Lee 、Mr. Tony Ho
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	9	9	9	9

Note 1: Resigned in 2018/06/19

3.3.2 Remuneration of Supervisors

As of Dec. 31, 2018; Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of total remuneration (A+B+C) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary
		Base Compensation(A)		Reward (B)		Allowances(C)				
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	
Supervisor (Note 1)	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	0	0	352	352	36	126	0.10%	0.12%	0
Supervisor (Note 1)	Mr. Chung Hsing Huang									

Note 1: Resigned in 2018/06/19

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

3.3.3 Compensation of President and Vice Presidents

As of Dec. 31, 2018; Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	From All Consolidated entities	The company	From All Consolidated entities	The company	From All Consolidated entities	The company		From All Consolidated entities		The company	From All Consolidated entities	
								Cash	Stock	Cash	Stock			
CEO of strategy & new business development	Tony Ho	88,973	126,510	13,617	13,617	13,452	14,142	754	0	2,942	0	28.73	38.67	0
CEO of Corporate Governance and risk management	Judy Lee													
President	Sophia Tong													
President	Eric Lin*													
Vice President	Robin Ho													
Vice President	Hannis Chang													
Vice President	Lawrence Wu													
Vice President	Jane Peng													
Vice President	Gillian Joe													
Vice President	Bob Yueh													
Vice President	Edward Kao													
Vice President	Paul Wang													
Vice President	CC Fan													
Vice President	Maggy Chen													
Vice President	Linda Lin													
Vice President	Shelly Chen													
Vice President	Ted Ho													
Vice President	Lancy Wu													
Vice President	Monica Chen													
Vice President	Charlene Kao													
Vice President	Jennie.Hsu													
Vice President	Lori Huang*													
Vice President	Eddie Wei*													
Vice President	Eric Chang*													
Vice President	Jamie.Kuo*													
Vice President	John Peng**													
Vice President	Tracy Tsai**													
Vice President	Kelly Ho**													

* President Eric Lin and VP Lori Huang joined in Mar 2018; VP Eddie Wei preferment in Mar 2018;VP Eric Chang preferment in July 2018.;VP Jamie preferment in Nov 2018.

** VP John Peng in Mar 2018;VP Tracy Tsai in resigned in May 2018 ; VP Kelly Ho resigned in June 2018.

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Kelly Ho 、 Tracy Tsai 、 Eric Chang	Tracy Tsai 、 Eric.Chang
NT\$2,000,000 ~ NT\$5,000,000	Monica Chen 、 Lancy Wu 、 Shelly Chen 、 Linda Lin 、 Maggy Chen 、 CC Fan 、 Robin Ho 、 Paul Wang 、 Edward Kao 、 Bob Yueh 、 Gillian Joe 、 Lawrence Wu 、 John Peng 、 Ted Ho 、 Tony Ho 、 Lori Huang 、 Eddie Wei 、 Eric. Lin 、 Jamie.Kuo 、 Jennie Hsu 、 Jane Peng	Monica Chen 、 Lancy Wu 、 Shelly Chen 、 Linda Lin 、 Maggy Chen 、 CC Fan 、 Paul Wang 、 Edward Kao 、 Bob Yueh 、 Gillian Joe 、 Lawrence Wu 、 John Peng 、 Ted Ho 、 Eirc Lin 、 Lori Huang 、 Eddie Wei 、 Jamie.Kuo 、 Jennie Hsu 、 Kelly Ho 、 Jane Peng
NT\$5,000,000 ~ NT\$10,000,000	Judy Lee 、 Charlene.Kao	Robin Ho 、 Charlene.Kao
NT\$10,000,000 ~ NT\$15,000,000		Judy Lee
NT\$15,000,000 ~ NT\$30,000,000	Sophia Tong	Tony Ho 、 Sophia Tong
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	27	27

3.3.4 Employee bonuses of Managers

As of Dec. 31, 2018; 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	CEO of strategy & new business development	Tony Ho	0	1,049,648	1,049,648	0.26%
	CEO of Corporate Governance and risk management	Judy Lee				
	President	Sophia Tong				
	President	Eric Lin*				
	Vice President	John Peng				
	Vice President	Lawrence Wu				
	Vice President	Gillian Joe				
	Vice President	Bob Yueh				
	Vice President	Edward Kao				
	Vice President	Paul.Wang				
	Vice President	Robin Ho				
	Vice President	CC Fan				
	Vice President	Maggy Chen				
	Vice President	Linda Lin				
	Vice President	Shelly Chen				
	Vice President	Ted Ho				
	Vice President	Lancy Wu				
	Vice President	Monica Chen				
	Vice President	Charlene Kao				
	Vice President	Jennie Hsu				
	Vice President	Lori Huang*				
	Vice President	Eddie Wei*				
	Vice President	Eric Chang*				
	Vice President	Jamie Kuo*				
	Vice President	Jane Peng**				
	Vice President	Tracy Tsai**				
	Vice President	Kelly Ho**				
	Director	Alex Yu				
	Director	Austin Lin				
	Director	Johnson Lee				
	Director	Humphrey Wang				
	Assistant Vice President	Jenny Chen				
	Assistant Vice President	Celine Hsien				
	Assistant Vice President	Ya-Pei Kang				
	Assistant Vice President	Bruce Shen				
	Assistant Vice Presiden	Antyia Tsai				
	Assistant Vice Presiden	Harrison Yang				
	Assistant Vice Presiden	Lisa Lin*				
	Assistant Vice President	Tracy Leu**				
	Assistant Vice President	Dick Ko**				

* President Eric Lin and VP Lori Huang joined in Mar 2018; VP Eddie Wei preferment in Mar 2018;VP Eric Chang preferment in July 2018; VP Jamie Kuo preferment in Nov 2018;AVP Lisa Lin joined in July 2018.

** VP Jane Peng resigned in Mar 2018; VP Tracy Tsai resigned in May 2018;VP Kelly Ho resigned in June 2018;AP Tracy Leu and Dick Ko resigned in Mar 2018.

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

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

Title \ Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) - Companies in the consolidated financial statements	
	2017	2018
Directors	6.42%	13.15%
Supervisors	0.37%	0.12%
Presidents and Vice Presidents	18.23	38.67%

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

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

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 10 meetings of the board of directors were held in the previous period (Year 2018). Director and supervisor attendance was as follows :

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Ms. Judy Lee	9	1	90%	
Director	Mr. Tony Ho	5	5	50%	
Director	Ms. Robin Ho	9	1	90%	
Director	Property International Company Limited Representative: Mr. Wen-Tzong Chen	9	1	90%	
Independent Director	Mr. Ting-Yang Liu	10	0	100%	
Independent Director	Mr. Yung-Chi Lai	6	0	60%	2018/6/19 joined
Independent Director	Ms. Yeh Jo	5	1	50%	2018/6/19 joined
Independent Director	Mr. Hung-Hsun Ting	4	0	40%	2018/6/19 resigned
Director	Property International Company Limited Representative: Ms. Ai Chen Lee	1	3	25%	2018/6/19 resigned

Other notable items :

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

(1) If there are the circumstances referred to in Article 14-3 of Securities :

Directors' meetings	the details of meeting agenda and its following process	Article 14-3 of Securities	Objected to by Independent Directors or subject to qualified opinion
2018.02.5	Passed the motion for company managers' performance-based bonus allocation for 2017. The Board of Test-Rite has resolved to raise capital for Test-Rite Products Corp. through its subsidiaries, Test-Rite International (U.S.)Co., Ltd.	V	None
2018.03.26	Approve 2017 Business Report and Financial Approve the proposal of distribution of 2017 earnings Approve Amendment of Procedures for Endorsement and Guarantee. Approve Amendment to Procedures for Lending Funds to Others. Approve Amendment to Procedures for Acquisition and Disposal of Assets. Approve Amendment of Procedures for Engaging in Derivatives Trading.	V	None

	Approve Proposal for the issuance of public placement of common stock.		
2018.4.26	Approve Removal of new directors' and their representatives' non-compete restrictions.	V	None
2018.6.19	Appointment of 4th remuneration committee members.	V	None
2018.06.29	Passed the remuneration of the Remuneration Committee of the Company. Passed the motion for allocation of remuneration for the Company's directors and supervisors for 2017. Passed the managerial officer's salary adjustment for 2018. The Board of Test-Rite has resolved to loan of funds for Test Rite Retail Co., Ltd., a major subsidiary of Test Rite.	V	None
2018.8.10	Passed the remuneration of the consolidated financial results for Q2 2018.	V	None
2018.10.11	Test-Rite indirectly raise capital for Hola Shanghai Retail & Trading Co., Ltd. through the company's subsidiaries, Test Rite Retailing Co., Ltd., Test Rite Retailing Limited and Test Rite (China) Investment Co., Ltd.		
2018.11.9	Passed the motion for managers' profit sharing of employee's benefits for 2017, and year-end bonus allocation for 2018. Test-Rite indirectly raise capital for Hola Shanghai Living Art Retailing Co., Ltd., Hola Beijing Retail & Trading Co., Ltd., and Hola Shanghai Living Art Retailing Co., Ltd. through the company's subsidiaries, Test Rite Retailing Co., Ltd., Test Rite Retailing Limited and Test Rite (China) Investment Co., Ltd.	V	None
2018.12.25	Passed the motion for the Company's operational plan and budget for 2019. Passed the motion to implement the Company's internal audit plan for 2019. Passed the motion to amend the Company's "Internal Control System" and "Details on Implementation of Internal Audit". The board of directors approves that it change CPA whose independence 、 suitability evaluation and engagement since 2018 Q4.	V	None

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

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

Name of director	Content of proposal	Reason for abstention from voting participation	The result for each motion
Ms. Judy Lee Mr. Tony Ho MS. Robin Ho	Motion for the distribution of performance-based bonuses to the Company's individual managers for 2017.	Chairwoman Judy Lee and Director Tony Ho and Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	All other directors in attendance passed the motion without objection.

Ms. Judy Lee MS. Robin Ho Mr. Wen-Tzong Chen	To remove managers' non-competition clause.	Remove Chairwoman Judy Lee and Director Wen-Tzong Chen and Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as other company directors.	Director Tony Ho abstained by proxy; remaining directors in attendance passed the motion without objection.
Mr.Yung-Chi Lai Mr. Ting-Yang Liu Ms.Yeh Jo	Appointment of 4th remuneration committee members.	Appointmentthey of Independent Director also remuneration committee members of the Company to avoid a conflict of interest.	All other directors in attendance passed the motion without objection.
Mr. Ting-Yang Liu	Remuneration of remuneration of the Company	Independent Director Ting-Yang Liu to avoid a conflict of interest, 3 rd Session remuneration committee members.	All other directors in attendance passed the motion without objection.
MS. Robin Ho	Passed the managerial officer's salary adjustment for 2018.	Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	All other directors in attendance passed the motion without objection.
All directors	Motion for the distribution of compensation to the Company's supervisors for 2017.	Assessment of supervisory compensation for each of the directors, Chairwoman Judy Lee and Director Tony Ho and Director Robin Ho and Independent Director Ting-Yang Liu, with each director having separately undertaken measures to avoid conflicts of interest, 14 th Director.	All other directors in attendance passed the motion without objection.
Ms. Robin Ho	Motion for the Company's 2017 managerial profit-sharing for employees and 2018 year-end bonus allocation.	Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	Director Tony Ho abstained by proxy; remaining directors in attendance passed the motion without objection.

3.Measures taken to strengthen the functionality of the Board :

- (1)The Company announces on the Market Observation Post System (MOPS) the attendance records of the monthly board meetings, as well as any significant information resolved in the board meetings.
- (2)The company carried out a project manager in charge of arrangements for reporting to the Board of Directors on the status of implementation of development strategies for Test Rite Group.
- (3)Meetings among the independent directors, internal auditors and the independent auditors:
 - a.The regular meeting between the independent directors, the internal auditors and the independent auditors is on Mar 21, 2018, 2017 financial statement's Key Audit Matters and the possible impact of preliminary assessment for IFRS 16" Leases" introduction.
 - b.The internal audit reports are sent to our Independent Directors and Supervisors every month by Internal Audit Officer. After the fiscal year ended, he/she reports group annually internal audit results to our Independent Directors and Supervisors.
- (4)To effectively increase its information transparency and fulfill its corporate governance obligations,the Company has sufficiently disclosed various business and financial information on its annual report, company website and the MOPS, and hold analyst meeting aperiodically. To enhance the function of the Board of Directors, the Company also encourages the directors and supervisors to participate in various corporate governance courses arranged by the Company each year, and offers private lessons at ome

3.4.2 Attendance of Supervisors for Board Meetings

2018 total of four meetings of the board of directors were held in the previous period.

Supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	Attendance rate (%) 【B/A】	Remarks
Supervisor	Mr. Chung-Hsing Huang	3	75%	2018/6/19 resigned
Supervisor	Tsai-Chi Co., Ltd. Representative: Mr. Hsueh Hsing Liao	3	75%	2018/6/19 resigned

Other notable items:

1. Composition and responsibilities of supervisors :

(1) Communications between supervisors and the Company's employees and shareholders : All supervisors participate in the annual shareholders' meeting; they also have effective communication with the Chief Financial Officer and Chief Accounting Officer.

(2) Communications between supervisors and the Company's Chief Internal Auditor and CPA

A. Communications with Chief Internal Auditor : In addition to providing regular reports to the Board of Directors on the findings and areas of improvement determined via internal audits, the head of Internal Audit also submits monthly audit operations plans and reports to supervisors.

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

C. The regular meeting among the independent directors, the internal auditors and the independent auditors is on March 21, 2017 financial statement's Key Audit Matters and the possible impact of preliminary assessment for IFRS 16" Leases" introduction.

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

3.4.3 Attendance of directors were held for Audit Committee Meetings

2018 total of five meetings of the of Audit Committee

Title	Name	Attendance in Person(B)	Attendance rate (%) 【B/A】	Remarks
Chairman	Mr. Yung-Chi Lai	5	100%	2018/6/19 joined
Independent Director	Mr. Ting-Yang Liu	5	100%	2018/6/19 joined
Independent Director	Ms. Yeh Jo	4	80%	2018/6/19 joined

Other notable items:

1. The operation of Audit Committee has any circumstance as the following. It should state the date of Audit Committee 、the content of the proposal 、the resolution of Audit Committee and how the company treat the Audit Committee's opinion.

(a) If there are the circumstances referred to in Article 14-5 of Securities :

2018.06.29	The Board of Test-Rite has resolved to loan of funds for Test Rite Retail Co., Ltd., a major subsidiary of Test Rite.	None	All members present at the meeting and approve the motion unanimously and submit
2018.08.10	Passed the remuneration of the consolidated financial results for Q2 2018.	None	
2018.10.11	Test-Rite indirectly raise capital for Hola Shanghai Retail & Trading Co., Ltd. through the company's subsidiaries, Test Rite Retailing Co., Ltd., Test Rite Retailing Limited and Test Rite (China) Investment Co., Ltd.	None	

2018.11.9	Passed the motion for managers' profit sharing of employee's benefits for 2017, and year-end bonus allocation for 2018. Test-Rite indirectly raise capital for Hola Shanghai Living Art Retailing Co., Ltd., Hola Beijing Retail & Trading Co., Ltd., and Hola Shanghai Living Art Retailing Co., Ltd. through the company's subsidiaries, Test Rite Retailing Co., Ltd., Test Rite Retailing Limited and Test Rite (China) Investment Co., Ltd.	None	to the board of directors. The company's process for the committee: all directors present at the meeting and approve the motion unanimously.
2018.12.25	Passed the motion for the Company's operational plan and budget for 2019. Passed the motion to implement the Company's internal audit plan for 2019. Passed the motion to amend the Company's "Internal Control System" and "Details on Implementation of Internal Audit". The board of directors approves that it change CPA whose independence 、 suitability evaluation and engagement since 2018 Q4.	None	

(b) Except for the aforesaid matter, other matter was unapproved by the Audit Committee.

However, the matter was approved by two-thirds or more of all the directors : None.

2. Independent directors disclose whose avoidance of personal interest. The disclose contain that Independent directors's name, the motion's content and the reason for personal interest avoidance and the participation of voting : None.

3. Independent directors communicate with chief audit Executive and CPA.

(ex: The company's results of the company's financial and business conditions ,matters and method.) :

(a) Except the monthly audit report, the internal auditing team shall submit the quarterly audit report of the auditing implementation and annual group auditing report to each Independent director. If need be the chief audit Executive should contact with the independent directors.

(b) The audit report shall contain the tracked deficiency in internal control and irregularities which needs to be improved. Moreover, it should be prepared the quarterly report and sent to each Independent director.

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

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
1.Has the Company implemented a Corporate Governance Code of Practice?	✓		The Company's has implemented a Corporate Governance Code of Practice. The Code of Practice is disclosed on the Company’s official website and MOPS.	Compliance
2.Shareholding Structure & Shareholders’ Rights (1)What are the Company’s methods of handling shareholder suggestions or complaints? (2)Does the Company possess a list of major shareholders and an list of their ultimate owners? (3)What are the risk management mechanisms and “firewall” between the Company and its affiliates? (4)Has the company established internal regulations to ban its personnel from selling and buying securities with information undisclosed to the market?	✓		(1) The Company has a spokesperson and deputy spokesperson, and has set up a mailbox dedicated to investors to handle investor-related issues. (2) The Company has a dedicated team responsible for carrying out shareholder-related services, and has appointed a shareholder services agent from a securities firm to assist with matters related to shareholder services. The Company also has access to the list of major shareholders and ultimate controllers of major shareholders. (3) The Company has established and implemented the following internal control guidelines: Subsidiary Supervision Guidelines, Internal Control System for the Supervision of Subsidiaries and Auditing for the Supervision of Subsidiaries. (4) The Company has established its “Procedures for Handling Material Inside Information” to address related norm, and all personnel of the Company have signed an internal personnel statement, stating that they will never engage in any illegal insider-trading activities, and that they will take sole responsibility for all related laws and regulations.	Compliance
3.Composition and Responsibilities of the Board of Directors (1)Has the board of directors established and implemented diversification measures in its member setup? (2)In addition to setting up a remuneration committee and audit committee in accordance with the law, has the Company voluntarily established any other functional committee? (3)Has the Company established a performance rating method for its Board of Directors, and conducted performance ratings accordingly on an annual basis? (4)Does the Company evaluate its CPAs’ independence on a regular basis?	✓		(1) According to Chapter three- Structure of Board of Directors, in our Code of Governance, and Article 2-1 in our Rules for Election of Directors, the nominated and selected candidates shall equip the necessary abilities, that includes his/her knowledge, skill and literacy, the diversity of directors shall be considered, and all above shall be applied. The diversity and its application shall be disclosed in Company's website. Corporate government related functions are conduct by the Company’s Board of Directors and Remuneration Committee. (2) Our Performance Evaluation Procedures of Board of Directors had been approved in Directors' meeting at December 9, 2017. The execution unit is Financial Department. Board of Directors shall complete the internal assessment after the end of every year, and report its result by the Directors' meeting in first quarter next year.	Compliance

Item	Implementation Status			Deviations from "Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
			<p>There are five dimensions to evaluate Board of Directors' performance, and six dimensions to evaluate Director's member performance. There are four grades of the result, Great, Good, Meet the Standard, and To be Improved.</p> <p>(3) It is planning a method to assess the performance of its Board of Directors, expected to be completed in 2018.</p> <p>(4) The board of directors approves that it change CPA whose 2018 Q4 and following the statement of independence issued by the certified public accountants, hereby states that the accountants and auditors have complied with the applicable independence requirement to be unbiased, impartial and independent. Furthermore, the certified public accountants hired under the internal self assessment practice are not directors/supervisors or shareholders of the company, and have not received salaries from the company. Renewal of the contract with certified public accountants will not be discussed unless certain criteria, such as not being a stakeholder of the company and not having served as a certified public accountant of the company for seven consecutive years, are met.</p>	
4. Does the Company establish a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce (or record) minutes of board meetings)?	✓		<p>The Company has set up financial division to be responsible for corporate governance. The board of directors approved the process of procedure for the director's requirement standard and appoint the company's Company Secretary on April 24, 2019.</p> <p>The jobs include providing all necessary data for Directors to exercise their duty, handling matters for Board of Directors and shareholders' meeting, preparing meeting agenda, managing company registration issues, etc.</p>	Compliance
5. Company whether versus established and Stakeholder (Including but not limited to shareholder & employees & client & suppliers) effective communication channels and public relations departments with stakeholders, responded the important issues of Corporate social responsibility?	✓		<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 communications with its stakeholders.</p>	Compliance

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
6.Has the Company assigned a professional stock transfer agent to handle affairs related to the shareholders' meetings?	✓		The Company has assigned the Stock Agency Department of Yuanta Financial Holdings to handle tasks related to shareholders' meetings.	Compliance
7.Information Disclosure (1) Has the Company established a corporate website to disclose information regarding the company's financials, business and corporate governance status? (2) What are the other information disclosure channels (e.g., maintaining an English-language website, appointing responsible personnel to handle information collection and disclosure, appointing spokespersons, and webcasting investors' conference) that the Company has devised?	✓		(1) Based on the Company principles of integrity and good faith, we take proper care of all employees and abide by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of our employees, which are carried out in accordance with the Company's internal regulations and management guidelines. The Company's official website (www.testritegroup.com) has been established in order to disclose relevant information about the Company. Investors may also consult the official Market Observation Post System (MOPS) for relevant information at http://mops.twse.com.tw . (2) In addition to a corporate website written in Chinese, the Company has also established an English version of the website; the Company has also disclosed information on the MOPS website in accordance with regulatory requirements, appointed a spokesperson, and completed various reporting requirements. Excerpts of briefings of institutional investor conferences can be found at our corporate website.	Compliance
8.Other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and insurance purchased for directors and supervisors):	✓		(1) Employee rights : Based on the Company's principles of integrity and good faith, the Company takes proper care of employees and abides by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of employees, and to provide equal employment opportunities. Our Employee Welfare Committee has implemented an employee pension system that offers employee group insurance, and organizes various training courses for employees, etc. (2) Employee wellness : The Employee Welfare Committee is established in accordance with the law and organizes various recreational activities, medical checkups, employee travel, and employee shopping days from time to time. The Committee also provides subsidies to social clubs organized by employees. In addition, the Company has made available a large number of parking spaces reserved for employees in order to resolve parking issues. With respect to emergency assistance, in addition to providing employees with protection through group insurance, in the event of major emergencies, the Company also dedicates personnel to take the	Compliance

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
			<p>initiative to call for voluntary contributions from employees to render assistance to fellow staff.</p> <p>(3) Investor relations : The Company discloses relevant information in accordance with the law and has appointed a dedicated investor relations officer who is responsible for managing investor relations and associated activities, in order to protect the interests of investors and stakeholders and to fulfill our corporate responsibility to shareholders.</p> <p>(4) Supplier relations and rights of stakeholders : The Company's business philosophy lies in achieving mutual success with our suppliers. We have always maintained a positive and healthy relationship with each supplier, and all requests made to vendors and stakeholders have been reasonable. We always offer communication opportunities and respect the legitimate rights and interests of all parties involved.</p> <p>(5) Directors and supervisors of the Company have continuously attended courses related to Corporate Governance.</p> <p>1.Independent Director Ting-Yang Liu attended the " The case analysis and discussion on related legal responsibilities of enterprises' major Crimes " course hosted by the Taiwan Corporate Governance Association for three hours on March 11, 2018.</p> <p>2.Independent Director Ting-Yang Liu attended the " Trade secret and privileged Non-competition" course hosted by the Taiwan Corporate Governance Association for three hours on August 10, 2018.</p> <p>3. Chairwoman Judy Lee, Director Tony Ho, Director Robin Ho, Director Wen-Chung Chen, Independent Director Yeh Jo, Yung-Chi Lai attended the "Corporate governance and Securities regulations-focus On the board Of Directors' Liability. " course hosted by the Taiwan Corporate Governance Association for three hours on October 30, 2018.</p> <p>4. Chairwoman Judy Lee, Director Tony Ho, Director Robin Ho, Director Wen-Chung Chen,Independent Director Yeh Jo, Yung-Chi Lai attended the "The rules that are associated with the related party transactions of insiders" course hosted by the Taiwan Corporate Governance Association for three hours on October 30, 2018.</p>	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
			<p>(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.</p> <p>(7) Customer policy implementation: The Company adheres to the provisions of the contracts that we enter into with customers, and is committed to protecting consumer rights and to providing good service quality.</p> <p>(8) Insurance coverage purchased by the Company on liability of directors and supervisors: The Company has purchased liability insurance coverage for directors and supervisors and complete the Directors' Liabilities Insurance report by the Board of Directors' meeting at December 9th, 2018.</p>	
<p>2.The improvement status for the result of Corporate Governance Evaluation (Not included in the assessment by the company did not need to fill)</p> <p>Our corporate governance evaluation was ranked at top 6%~20% in 2017 and 2018, the improvement actions are:</p> <p>Test-Rite Board of Directors has approved amendment to Ethical Corporate Management Best Practice Principles for the Company which was adopted by the Board Meeting, Corporate Social Responsibility Best Practice Principles, and established a full- (or part-) time corporate governance unit on Dec. 16, 2016. report periodically to Board of Directors for the execution and monitor of integrity and prevention policy, and the planning of corporate social responsibility(CSR) program,The meeting of the communications between among the independent directors,;the internal auditors and the independent auditors was held for and disclosure of on website on Per year;leted a corporate website to strengthen information disclosure regarding its corporate governance status and started to make announcements in English simultaneously in Q4 2016 ; Our Performance Evaluation Procedures of Board of Directors had been approved in Directors' meeting at Demcember 9, 2017, the 2018 performance evaluation of Board of Directors and Director members had been completed by end of January, 2019, and the result of 2018 performace evaluation had been reported in Directors' meeting at March 26, 2019.</p>				Compliance

3.4.4 Composition, Responsibilities and Operations of Remuneration Committee :

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

Title	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an remuneration committee member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Indepen dent director	Mr.Yung-Chi Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Indepen dent director	Mr. Ting-Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Indepen dent director	Ms.Yeh Jo			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Indepen dent director	Mr. Ting Hung-Hsun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Note2
Other	Mr. Huang, Kuo-Shih	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Note2

Note 1 : Please tick the corresponding boxes if remuneration committee members have been any of the following during the two years prior to being elected or during the term of office.

(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 percent 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 one percent or more of the total number of issued shares of the company or ranks as one of its op ten shareholders;

(4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

(5)Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;

(6)Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

(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 been a person of any conditions defined in Article 30 of the Company Law.

Note 2 : 2018/6/19 resigned

2. Operations of Remuneration Committee :

- (1) The Company’s remuneration committee includes 3 members.
- (2) The Remuneration Committee members’ respective tenures are from June 19, 2018 to June 18, 2021. The Remuneration Committee convened four regular meetings in the previous period. The Committee members’ attendance status is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remark
Chairman	Mr.Yung-Chi Lai	2	0	50%	2018/6/19 joined
Member	Mr. Ting-Yang Liu	4	0	100%	2018/6/19 joined

Member	Ms.Yeh Jo	2	0	50%	2018/6/19 joined
Member	Mr. Ting Hung-Hsun	2	0	50%	2018/6/19 resigned
Member	Mr. Huang, Kuo-Shih	2	0	50%	2018/6/19 resigned
Other notable items: 1.If the directors' meetings objected to or modified the proposal of remuneration committee : None. 2.If the remuneration committee member objected to or subject to qualified opinion and recorded or declared in writing : None.					

3.4.5 Corporate Social Responsibility Fulfillment:

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>1. Implementing corporate governance practices</p> <p>(1) Has the Company established corporate social responsibility policies or systems to review the effectiveness of the implementation?</p> <p>(2) Does the Company schedule routine educational training for corporate social responsibility?</p> <p>(3) Has the Company designated a dedicated (or participating) unit to promote corporate social responsibility?</p> <p>(4) What is the current status of the Company's practice of organizing regular training sessions and awareness programs on business ethics for directors, supervisors, and employees, and on establishing a clear and effective incentive and disciplinary system by integrating the results of the business ethics training with employee performance appraisal?</p>	✓		<p>(1)~(3) Please refer to pages 8~9 of the Company's CSR Report ;</p> <p>(4) Please refer to pages 73~75 of the Company's CSR Report</p>	Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.
<p>2. Developing a sustainable environment</p> <p>(1) Is the Company committed to improving the efficiency of the utilization of various resources and to the use of renewable materials that pose lower impacts on the environment?</p> <p>(2) Has the Company established and implemented an appropriate environment management system in accordance with the nature and characteristics of the industry to which it belongs?</p> <p>(3) What is the level of the Company's awareness of the effects of climate change on its business activities, and has it developed corporate strategies aimed at the reduction of carbon and greenhouse gas emissions?</p>	✓		<p>(1) Please refer to pages 51~53 of the Company's CSR Report ;</p> <p>(2) Please refer to pages 36~50 of the Company's CSR Report ;</p> <p>(3) Please refer to pages 57~62 of the Company's CSR Report.</p>	Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
<p>3. Promoting social welfare</p> <p>(1) Does the Company observe the relevant labor laws and internationally-recognized labor right principles, aiming to protect the lawful rights and interests of its employees, and to ensure a non-discriminating employment policy? To this means, has the Company established adequate management methodologies, procedures, and monitoring mechanisms?</p> <p>(2) Has the Company set up employee grievance mechanisms and channels, and handled these grievances in an appropriate manner?</p> <p>(3) Does the Company practice in providing employees with a safe and healthy working environment, and in implementing training focused on safety and health for employees on a regular basis?</p> <p>(4) Has the Company also implemented a periodic employee communication mechanism, and in the event of any operational change that may impact employees, are employees are reasonably notified and advised of these changes?</p> <p>(5) Has the Company established an effective career development plan for its employees?</p> <p>(6) Has the Company set up appropriate consumer protection policy and complaint-filing procedures for its operations in R&D, procurement, production, operation and processing divisions?</p> <p>(7) Does the Company comply with related laws, regulations, and international standards for the marketing and labels on its products and services?</p> <p>(8) Prior to signing contracts with suppliers, has the Company assessed whether these suppliers hold any past record of posing significant impacts on the environment and society?</p>	✓		<p>(1) Please refer to pages 37~39 of the Company’s CSR Report ;</p> <p>(2) Please refer to pages78 of the Company’s CSR Report ;</p> <p>(3) Please refer to pages 75~76 of the Company’s CSR Report ;</p> <p>(4) Please refer to pages 78~80 of the Company’s CSR Report ;</p> <p>(5) Please refer to pages 69~71 of the Company’s CSR Report ;</p> <p>(6) Please refer to pages 82~85 of the Company’s CSR Report ;</p> <p>(7) Please refer to pages50 of the Company’s CSR Report ;</p> <p>(8) ~ (9)Please refer to pages 36~50 of the Company’s CSR Report.</p>	Our guidelines are consistent with those specified in Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.

Item	Implementation Status			Deviations from "Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
(9) Does the company's contract with its primary supplier contain any immediate termination or cancellation clauses for when the supplier violates its corporate social responsibility policy, and poses a significant impact on the environment and society?				
4. Enhancing information disclosure The manner in which the company discloses information related to corporate social responsibility that concerns relevance and reliability. Has the Company compiled a Corporate Social Responsibility Report and disclosing its work towards the promotion of corporate social responsibility?	✓		Please refer to pages 16 of the Company's CSR Report.	The Company has not yet drafted the Corporate Social Responsibility Report, but will do so depending on practical needs in the future.
5. If the Company has established its own corporate social responsibility codes of conduct based on "Corporate social responsibility codes of practice of listed companies," describe its operations and discrepancies with the standards: The Board of Directors of the Company has adopted the Code of Practice on Corporate Social Responsibility for Compliance on 16 December 2016 and has followed this Code to facilitate the operation.				
6. Other important information that may help to clarify the status of the Company's corporate social responsibility (such as the systems and measures adopted by the Company's on environmental protection, community involvement, contributions to the society, social services, social welfare, consumer rights and human rights as well as security and health, together with the results of these activities): (1) Environmental protection: Please refer to pages 35~62 of the Company's CSR Report. (2) Community involvement, social contributions, social services, social welfare, human rights, security, health and other social responsibility activities: Please refer to pages 90~95 of the Company's CSR Report.				
7. Provide description for any of the Company's products or corporate social responsibility reports that have received certifications from relevant accreditation bodies: (1) Company products: The company requires important category of products (including non-private brand) to be 100% passed by third party notarized inspection, then to be able on shelf. Please refer to the corporate social responsibility report on page 40~41. (2) Corporate social responsibility reports: Please refer to pages 16 of the Company's CSR Report.				

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

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

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

4. Information Disclosure Has the Company disclosed information regarding its corporate social responsibility, which pertains to the Company's relevance and reliability, on its corporate website and the MOPS?	✓		The Company implements Business Integrity Policy and Procedures for Ethical Management and Guidelines for Conduct, and publicly announced this information on our official website. The Company has clearly disclosed its corporate values of integrity, accountability, modesty, customer-driven and high performance on our company website.	consistent
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancies between the policies and their implementation. : None.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promoting and demonstrating the company's commitment to keeping in line with ethical standards, providing training to its business partners, and reviewing the company's corporate conduct and ethics policy). The Board has approved the Corporate Governance guidelines and Regulations on November 11, 2013, The board of directors approved to establish Procedures for Ethical Management and Guidelines for Conduct on December 16, 2016 and revise the it to all groups and organization on November 09, 2018.and announced this information website. The HR department of the Company requests all employees to sign an "Integrity Declaration and Undertaking" on a regular basis. The purpose is to communicate with the employees the importance of personal integrity and work-related honesty, as well as the obligations they should fulfill. We have been, from time to time, communicating with our suppliers our corporate values of integrity, accountability, modesty, customer-driven and high performance. We have also incorporated the relevant provisions on the integrity of behavior into our commercial agreements.				

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

3.4.8 Other Important Information Regarding Corporate Governance :

1. Managers' training records :

Position	Name	Date of Study	Hosting Institution	Name of Course/Program	Hours of Study
President	Sophia Tong	2018/11/30	Taiwan Corporate Governance Association	Corporate Governance and Securities regulations- focus On the board Of Directors' Liability	3.0
President	Sophia Tong	2018/11/30	Taiwan Corporate Governance Association	The rules that are associated with the related party transactions of insiders	3.0
Vice President	Robin Ho	2018/11/30	Taiwan Corporate Governance Association	Corporate Governance and Securities regulations- focus On the board Of Directors' Liability	3.0
		2018/11/30	Taiwan Corporate Governance Association	The rules that are associated with the related party transactions of insiders	3.0
Vice President	Linda Lin	2018/7/19~ 2018/7/20	Accounting research and development foundation	Regulations Governing the Qualification Requirements and Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12.0
		2018/11/30	Taiwan Corporate Governance Association	Corporate Governance and Securities regulations- focus On the board Of Directors' Liability	3.0
		2018/11/30	Taiwan Corporate Governance Association	The rules that are associated with the related party transactions of insiders	3.0
Auditing Supervisor	Lancy Wu	2018/5/15	Computer Audit Association	Improve Enterprise's risk insight: Apply the Reg Tech and forensic	3.0
		2018/7/24	Computer Audit Association	Money Laundering 、 Import Risk and the prevention measure of internal control	2.0
		2018/9/19	Taiwan Corporate Governance Association	The 14th Corporates' Governance International Summit Forum	6.0
		2018/11/30	Taiwan Corporate Governance Association	Corporate Governance and Securities regulations- focus On the board Of Directors' Liability	3.0
		2018/11/30	Taiwan Corporate Governance Association	The rules that are associated with the related party transactions of insiders	3.0

2. Employees' certification related to financial transparency :

Name	Certification
Lancy Wu	Qualified Internal Auditor (QIA)、 Certified Internal Auditor (CIA)、 Internal Control of Corporation Test of Securities and Futures Institute
Lynn Lee	Qualified Internal Auditor (QIA)、 Certified Internal Auditor (CIA)、 Certification in Risk Management Assurance (CRMA)、 Internal Control of Corporation Test of Securities and Futures Institute
Weilin Chen	Internal Control of Corporation Test of Securities and Futures Institute
Johnny Huang	Internal Control of Corporation Test of Securities and Futures Institute、 Internal Bank Controls the Basic Test for Compliance Certification
Vivian Ko	Internal Control of Corporation Test of Securities and Futures Institute
Eric Tsai	Internal Control of Corporation Test of Securities and Futures Institute
Gloria.Hsu	Internal Control of Corporation Test of Securities and Futures Institute
CY.Lee	Internal Control of Corporation Test of Securities and Futures Institute
Doris Yang	Qualified Internal Auditor (QIA)、 Certified Internal Auditor (CIA)
Amy Chen	Internal Control of Corporation Test of Securities and Futures Institute
Tiffany Chang	Internal Control of Corporation Test of Securities and Futures Institute
Raise Yen	Shares Officer Test of Securities and Futures Institute、 Internal Control of Corporation Test of Securities and Futures Institute
Judy Chen	American accountant

3.4.9 Internal Control System :

Test Rite International Co., Ltd.

Statement of Declaration on Internal Control System

Date: March 26, 2019

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2018:

1. The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of the Company's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 26, 2019, with none of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Test Rite International Co., Ltd.

Chairman : Judy Lee

President : Sophia Tong

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

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

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

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

The 2018 Stockholder's General Meeting for Test Rite Corporation was held on June 19, 2018 at the Meeting Room, sixth floor, No. 23, Sec. 3, Hsinhu Rd., Neihu District, Taipei City. The matters passed by the shareholders in attendance and their execution are as follows:

(1) Acknowledged the sales report and financial reports and consolidated financial statements of the 2017 fiscal year. Execution Cum consolidated financial statements:

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

(2) Acknowledged the motion for earnings distribution for the 2017 fiscal year.

●Execution: resolved to pass, the Board of Directors have approved the convening cash dividend on June 29 2018. The ex-dividend date is July 22 2018 and the payment date is August 03 2018 .The total amount was as NT \$ 611,865,070.

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

A. Amendment of Procedures for Endorsement and Guarantee.

B. Amendment to Procedures for Lending Funds to Others.

C. Amendment to Procedures for Acquisition and Disposal of Assets.

D. Amendment of Procedures for Engaging in Derivatives Trading.

E. Amendment of Rules for Election of Directors and Supervisors, and the Name Change of it as Rules for Election of Directors.

F. Amendment of Rules and Procedures of Shareholders Meeting.

G. Amendment of Articles of Incorporation.

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

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

●Execution: resolved to pass, the Company has revoked the case on March 26, 2019 due to the consideration of the market conditions and the overall planning and fund-raising of the company.

2. Important resolutions of the Board of Directors:

The Company has held 9 Board of Director Meetings, from June 19, 2018 to May 13, 2019. Abstracts of important resolutions are as follows:

Date of the Board of Directors Meeting	Abstract of Important Resolutions
June 19, 2018	Passed the chairman elected by the 4th Board of Directors. Passed the appointment of 4th remuneration committee members.
June 29, 2018	Passed the motions relating to the Company's profit-sharing, and cash dividend distribution-for 2017. Passed the remuneration of the Remuneration Committee of the Company. Passed the motion for allocation of remuneration for the Company's directors and supervisors for 2017.
Aug 10, 2018	Reported on Test Rite Co, Ltd's consolidated financial results for Q2 2018. The company's report of internal audit's business in 2018 Q2. The board of directors approved the amendment of Procedures for Handling Material Inside Information. The board of directors approved the amendment of Procedures for Sampling Checks and Penal Provisions. The board of directors approved the amendment of Rules of Procedure for Board of Directors Meetings. The board of directors approved the amendment of Rules Governing the Scope of Powers of Independent Directors. The board of directors approved the amendment of Remuneration Committee Charter.
Oct 11, 2018	Test-Rite indirectly raise capital for HOLA Shanghai Retail & Trading Co., Ltd. through the company's subsidiaries, TestRite Retailing Co., Ltd., Test Rite Retailing Limited and Test Rite (China) Investment Co., Ltd.
Nov. 9, 2018	Reported on Test Rite Co, Ltd's consolidated financial results for Q3 2018. Reported on Test Rite Co, Ltd's audit business report for Q3 2018. Reported on the supervisory implement of the Company's ethical corporate management policies and prevention programs. The Company has purchased liability insurance coverage for directors. The report of Company's corporate social responsibilities plan and execution. Passed the motion for managers' profit sharing of employee's benefits for 2017, and year-end bonus allocation for 2018. Passed the motion Amendment for the Ethics Best Practice Principles Passed the motion of Ethics Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct. Amendment of Articles of Incorporation. Passed the motion Test-Rite indirectly raise capital for HOLA Shanghai Retail & Trading Co., Ltd. through the company's subsidiaries, TestRite Retailing Co., Ltd., Test Rite Retailing Limited and Test Rite (China) Investment Co., Ltd.
Dec. 25, 2018	Passed the motion for the Company's operational plan and budget for 2019. Passed the motion to implement the Company's internal audit plan for 2019. Passed the motion to amend the Company's "Internal Control System" and "Details on Implementation of Internal Audit". The board of directors approves that the amendment of internal control self-examination Regulations. The board of directors approves that it change CPA whose independence 、 suitability evaluation and engagement since 2018 Q4.
Jan. 24, 2019	Reported on Test Rite Co, Ltd's audit business report for Q4 2018. Passed the motion for company managers' performance-based bonus allocation for 2018. The Board of has resolved to raise capital for Test-Rite Products Corp. through its subsidiaries, Test-Rite International (U.S.) Co., Ltd.

Mar. 26, 2019	<p>Passed the motion for allocation of compensation for the Company's directors, and for the Company's employee bonus 2018.</p> <p>Reported on Test Rite Co, Ltd's Operational Highlights and consolidated financial results for 2018.</p> <p>Passed the motion for profit-sharing for 2018.</p> <p>Passed the motion for the statement of the Company's internal control system for 2018.</p> <p>Passed the motion for Cash distributed from capital surplus to shareholders.</p> <p>Passed the motion for amendment of Procedures for Endorsement and Guarantee.</p> <p>Passed the motion for amendment to Procedures for Lending Funds to Others.</p> <p>Passed the motion for amendment of Procedures for Engaging in Derivatives Trading.</p> <p>Passed the motion for amendment to Procedures for Acquisition and Disposal of Assets.</p> <p>Removal of Removal of directors' non-compete restrictions.</p> <p>Passed the plan to revoke the previous motion passed at the Stockholder's General Meeting of issuing common stock to raise capital through the book building method.</p> <p>Passed the motion to issue common stock to raise capital through the book building method.</p> <p>Passed the motion to call for the Company's Stockholder's General Meeting for 2019.</p>
Apr. 24, 2019	<p>Reported on group audit for 2018.</p> <p>Passed the Amendments of some articles of association</p> <p>Passed the Establish a standard operational protocol for responding to requests from directors and the proposal of the company governance's senior executive.</p> <p>Amendment of the company repurchases shares and transfers to Employees.</p> <p>The board of directors approved the 14th time of repurchase of shares.</p> <p>Passed to add a 108-year regular.</p>
May.13.2019	<p>Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2019.</p> <p>Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2019.</p> <p>Passed the motion to resolution on stock buyback Adjusting scheduled period for the repurchase and company repurchases shares and transfers to Employees.</p>

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

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

3.5 Information of Accountant's Fees

Auditors	Name	Period	Remark
Deloitte & Touche	HONG, KUO-TYAN, WU, KER-CHANG	2018/1~3 season	For CPA firm's internal adjustment
Deloitte & Touche	HUNG-Bin Yu , Ming-Yu Chiu	2018/4 season	

Item Range		Audited fee	Non-audited fee	Total
			Other	
1	Less than 2,000,000	0	831	831
2	2,000,000～4,000,000	3,500	0	3,500
3	4,000,000～6,000,000	0	0	0
4	6,000,000～8,000,000	0	0	0
5	8,000,000～10,000,00	0	0	0
6	More than 10,000,000	0	0	0

Auditors	Name	Audited fee	Non-audited fee					Period	Remark
			System Design	Business registration	Human Resources	Other	Subtotal		
Deloitte & Touche	HONG, KUO-TYAN, WU, KER-CHANG	3,500	0	30	0	801	831	2018/1~3 season	Annual Meeting of Shareholders -50 ; Public fee -400 ; Country report-301 ; The business tax straight line deducts the law-50.
	HUNG-Bin Yu , Ming-Yu Chiu							2018/4 season	

3.6 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders : As CPA
firm's internal adjustment ◦

(Unit : Share)

Title	Name	2018		As of April 30, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairwoman	Judy Lee	0	0	0	0
Director	Tony Ho	0	0	0	0
Director	Robin Ho	0	0	0	0
Director	Property Co., Ltd.	18,000	0	0	0
Independent Director	Mr.Yung-Chi Lai	0	0	0	0
Independent Director	Mr. Ting-Yang Liu	0	0	0	0
Independent Director	Ms.Yeh Jo	0	0	0	0
President	Sophia Tong	0	0	0	0
Chief Operating Officer (COO)	Robin Ho	0	0	0	0
Business Development General Manager	Shelly Chen	0	0	0	0
Business Development General Manager	Eric Lin	0	0	0	0
VP	John Peng	(9,000)	0	0	0
VP	Gillian Joe	0	0	0	0
VP	Lawrence Wu	(9,000)	0	0	0
VP	Bob Yueh	0	0	0	0
VP	Edward Kao	0	0	0	0
VP	CC Fan	0	0	0	0
VP	Maggy Chen	0	0	0	0
VP	Linda Lin	0	0	0	0
VP	Ted Ho	0	0	0	0
VP	Lancy Wu	0	0	0	0
VP	Monica Chen	0	0	0	0
VP	Charlene.Kao	(5,000)	0	0	0
VP	Jenny Chen	0	0	0	0
VP	Eddie Wei	0	0	0	0
VP	Lori Huang	0	0	0	0
VP	Eric.Chang	0	0	0	0
VP	Jamie.Kuo	0	0	0	0
VP	Agnes.Shih*	NA	NA	0	0
AVP	Alex Yu	0	0	0	0
AVP	Austin Lin	0	0	0	0

Title	Name	2018		As of April 30, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
AVP	Johnson Lee	0	0	0	0
AVP	Humphrey Wang	0	0	0	0
AVP	Jenny Chen	0	0	0	0
AVP	Celine Hsien	0	0	0	0
AVP	Ya-Pei	0	0	0	0
AVP	Bruce Shen	0	0	0	0
AVP	Antyia.Tsai	0	0	0	0
AVP	Harrison Yang	0	0	0	0
AVP	Lisa.Lin	520,772	0	0	0
AVP	Greg.Chang	NA	NA	0	0

*VP Agnes Shih joined in January 2019; *AVP Lisa Lin joined in June 2018;*AVP Greg Chang joined in February 2019.

Shares Trading with Related Parties : None

Shares Pledge with Related Parties : None

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

Date: April 22, 2019

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tsai Ye Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	50,500,000	9.90%	0	0	0	0	Judy Lee	Relationship	-
QualityMaster Co., Ltd. Representative: Tony Ho	50,379,774	9.88%	0	0	0	0	Judy Lee Tony Ho Tsai-Chi Co., Ltd. Li Hsiung Co., Ltd. Tsai Wang Enterprise Company Limited	Relationship	
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	50,070,000	9.82%	0	0	0	0	Judy Lee	Relationship	-
Tsai Wang Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	47,000,000	9.22	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Tony Ho	38,995,550	7.65	25,711,294	5.04	0	0	Judy Lee	Spouse	
Tsai-Chi Co., Ltd. Representative: Ms. Lee, Li-Heng	32,327,389	6.34	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Li Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	31,523,263	6.18	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Judy Lee	25,711,294	5.04	38,995,550	7.65	0	0	Tony Ho	Spouse	-
P&F Brother IND., Corp. Representative: Chang Qiu Dun	18,918,714	3.71%	0	0	0	0	-	-	-
Fubon Life Assurance Co., Ltd. Representative: Richard M. Tsai	17,519,037	3.44%	0	0	0	0	-	-	-

3.8 Long-term Investment Ownership

Date: December 31, 2018 ; Unit : Share : %

Long-term Investment	Ownership by Test Rite		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Test-Rite Retail Co., Ltd.	24,999,999	25.00%	75,000,001	75.00%	100,000,000	100.00%
Test-Rite Home Service Co., Ltd.	0	0.00%	8,600,000	100.00%	8,600,000	100.00%
Hola Home furnishings Co., Ltd.	0	0.00%	60,000	100.00%	60,000	100.00%
Testrite Brand Agency Co., Ltd.	0	0.00%	43,022,600	100.00%	43,022,600	100.00%
Test Rite C&B Co., Ltd.	0	0.00%	33,000,000	100.00%	33,000,000	100.00%
Chung Cin Enterprise Co., Ltd.	43,350,000	95.60%	0	0.00%	43,350,000	95.60%
Tony Construction Co., Ltd.	0	0.00%	23,000,000	95.60%	23,000,000	95.60%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	8,000,000	95.60%	8,000,000	95.60%
Chung Cin Interior Design Construction Co., Ltd.	0	0.00%	1,200,000	95.60%	1,200,000	95.60%
VIET HAN CO., LTD.	0	0.00%	1,000,000	95.60%	1,000,000	95.60%
Test Cin International Co., Ltd.	0	0.00%	900,000	57.36%	900,000	57.36%
Youmei Enterprise Co., Ltd.	0	0.00%	1,530,000	48.76%	1,530,000	48.76%
Hand-on Lighting Co., Ltd.	0	0.00%	510,000	48.76%	510,000	48.76%
Lih Teh International Co., Ltd.	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Lih Chiou Co., Ltd.	388,414,000	100.00%	0	0.00%	388,414,000	100.00%
Fusion International Distribution, Inc.	999,838	100.00%	0	0.00%	999,838	100.00%
International Art Enterprise Co., Ltd.	1,000,000	100.00%	0	0.00%	1,000,000	100.00%
B&S Link Co., Ltd., Ltd.	2,300,000	100.00%	0	0.00%	2,300,000	100.00%
Home Intelligence Co., Ltd.	0	0.00%	1,500,000	100.00%	1,500,000	100.00%
Test-Rite Pte Ltd.	2,100,000	100.00%	0	0.00%	2,100,000	100.00%
Test-Rite Viet Nam Co., Ltd.	950,000	95.00%	50,000	5.00%	1,000,000	100.00%
Test-Rite Products (Hong Kong) Limited.	9,999	99.999%	1	0.001%	10,000	100.00%
Test-Rite International (U.S.)Co., Ltd.	4,835.1	91.44%	452.9	8.56%	5,288	100.00%
Test-Rite Int'l (Canada) Ltd.	100	100.00%	0	0.00%	100	100.00%
TEST-Rite Int'l (Australia) Pty Limited.	3,550,000	100.00%	0	0.00%	3,550,000	100.00%
TEST-RITE (UK) LTD.	775,930	100.00%	0	0.00%	775,930	100.00%
Test-Rite Development GmbH	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 Retailing Co., Ltd.	108,831,000	100.00%	0	0.00%	108,831,000	100.00%
Test-Rite Trading Co., Ltd.	55,668,806	100.00%	0	0.00%	55,668,806	100.00%
Fortune Miles Trading Inc.	30,000	100.00%	0	0.00%	30,000	100.00%
Upmaster International Co., Ltd.	6,400,000	100.00%	0	0.00%	6,400,000	100.00%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

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

1993.08	10	100,000,000	1,000,000,000	71,018,816	710,188,160	Capitalization of earnings NT\$28,203,120 Capital surplus NT\$112,812,500 Employee bonuses NT\$5,110,040	-	-
1994.08	10	150,000,000	1,500,000,000	116,137,660	1,161,376,600	Capitalization of earnings NT\$139,999,948 Employee bonuses NT\$11,376,652 Capital surplus NT\$10,000,000 Capital injection 289,811,840	-	-
1995.07	10	150,000,000	1,500,000,000	129,400,000	1,294,000,000	Capital surplus NT\$116,137,660 Employee bonuses NT\$16,485,740	-	-
1996.09	10	150,000,000	1,500,000,000	136,400,000	1,364,000,000	Capital surplus NT\$64,700,000 Employee bonuses NT\$5,300,000	-	-
1997.08	10	183,680,000	1,836,800,000	150,920,000	1,509,200,000	Capitalization of earnings NT\$13,640,000 Employee bonuses NT\$8,800,000 Capital surplus NT\$122,760,000	-	No : (86) 111752
1998.07	10	230,000,000	2,300,000,000	167,600,000	1,676,000,000	Capitalization of earnings NT\$15,092,000 Employee bonuses NT\$15,880,000 Capital surplus NT\$135,828,000	-	No : (087) 087118452
1999.07	10	250,000,000	2,500,000,000	200,000,000	2,000,000,000	Capitalization of earnings NT\$301,680,000 Employee bonuses NT\$22,320,000	-	No : (088) 088126231
2000.10	10	370,000,000	3,700,000,000	233,500,000	2,335,000,000	Capitalization of earnings NT\$300,000,000 Employee bonuses NT\$35,000,000	-	No : (089) 135122
2001.03	10	370,000,000	3,700,000,000	239,890,794	2,398,907,940	CB conversion: NT\$63,907,940	-	No : (90) 09001094870

2001.09	10	470,000,000	4,700,000,000	283,792,955	2,837,932,670	Capitalization of earnings NT\$280,029,350 Employee bonuses NT\$34,000,000 CB conversion: NT\$124,995,380	-	No : (90) 09001369620
2001.11	10	470,000,000	4,700,000,000	287,242,245	2,872,422,450	CB conversion: NT\$34,489,780	-	No : (90) 09001414970
2002.01	10	470,000,000	4,700,000,000	287,970,127	2,879,701,270	CB conversion: NT\$7,278,820	-	No : 09101028620
2002.03	10	470,000,000	4,700,000,000	292,106,179	2,921,061,790	CB conversion: NT\$41,360,520	-	No : 09101091570
2002.05	10	470,000,000	4,700,000,000	292,126,587	2,921,265,870	CB conversion: NT\$204,080	-	No : 09101138780
2002.08	10	550,000,000	5,500,000,000	344,989,749	3,449,897,490	CB conversion: NT\$200,142,040 Capitalization of earnings NT\$285,593,580 Employee bonuses NT\$42,896,000	-	No : 09101339470
2002.10	10	550,000,000	5,500,000,000	347,892,171	3,478,921,710	CB conversion: NT\$29,024,220	-	No : 09101433810
2003.01	10	550,000,000	5,500,000,000	347,940,951	3,479,409,510	CB conversion: NT\$ 487,800	-	No : 09201019620
2004.10	10	550,000,000	5,500,000,000	370,738,598	3,707,385,980	Capitalization of earnings NT\$173,970,470 Employee bonuses NT\$54,006,000	-	No : 09201288970
2004.04	10	550,000,000	5,500,000,000	387,516,315	3,875,163,150	CB conversion: 167,777,170	-	No : 09301077730
2004.10	10	550,000,000	5,500,000,000	392,676,369	3,926,763,690	CB conversion: NT\$ 1,041,610 Employee bonuses NT\$50,558,930	-	No : 09301187640
2005.01	10	550,000,000	5,500,000,000	397,311,347	3,973,113,470	CB conversion: NT\$ 46,349,780	-	No : 09401009700
2005.05	10	550,000,000	5,500,000,000	397,946,375	3,979,463,750	CB conversion: NT\$6,350,280	-	No : 09401087750
2005.09	10	550,000,000	5,500,000,000	411,269,302	4,112,693,020	Capitalization of earnings NT\$73,589,270 Employee bonuses NT\$59,640,000	-	No : 09401189620
2005.10	10	550,000,000	5,500,000,000	413,743,746	4,137,437,460	CB conversion:NT\$24,744,440	-	No : 09401212030
2005.12	10	550,000,000	5,500,000,000	416,717,612	4,167,176,120	CB conversion:NT\$29,738,660	-	No : 09401246200

2006.08	10	660,000,000	6,600,000,000	441,307,884	4,413,078,840	CB conversion:NT\$173,910 Capitalization of earnings NT\$193,358,810 Employee bonuses NT\$52,370,000	-	No : 09501194080
2006.11	10	660,000,000	6,600,000,000	448,792,415	4,487,924,150	CB conversion: NT\$ 74,845,310	-	No : 09501265640
2007.03	10	660,000,000	6,600,000,000	448,864,578	4,488,645,780	CB conversion: NT\$ 721,630	-	No : 09601053530
2007.09	10	660,000,000	6,600,000,000	448,916,123	4,489,161,230	CB conversion: NT\$ 515,450	-	No : 09601233820
2007.12	10	660,000,000	6,600,000,000	465,243,433	4,652,434,330	CB conversion:NT\$47,865,120 Capitalization of earnings NT\$84,857,980 Employee bonuses NT\$30,550,000	-	No : 09601312360
2008.09	10	660,000,000	6,600,000,000	473,666,067	4,736,660,670	Capitalization of earnings NT\$42,696,340 Employee bonuses NT\$41,530,000	-	No : 09701225500
2009.09	10	660,000,000	6,600,000,000	481,222,872	4,812,228,720	Capitalization of earnings NT\$63,957,910 Employee bonuses NT\$11,610,140	-	No : 09801200020
2009.10	10	660,000,000	6,600,000,000	531,222,872	5,312,228,720	Capital injection NT\$500,000,000	-	No : 09801236000
2010.09	10	660,000,000	6,600,000,000	516,422,872	5,164,228,720	Cancellation of Treasury Stock NT\$148,000,000	-	No : 09901205520
2011.11	10	660,000,000	6,600,000,000	507,422,872	5,074,228,720	Cancellation of Treasury Stock NT\$90,000,000	-	No : 10001272200
2012.08	10	660,000,000	6,600,000,000	521,955,558	5,219,555,580	Capitalization of earnings NT\$145,326,860	-	No : 10101179940
2014.10	10	660,000,000	6,600,000,000	513,955,558	5,139,555,580	Cancellation of Treasury Stock NT\$80,000,000	-	No : 10301223850
2015.08	10	660,000,000	6,600,000,000	509,887,558	5,098,875,580	Cancellation of Treasury Stock NT\$40,680,000	-	No : 10401175160

As of 4/22/2019

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

4.1.2 Status of Shareholders

As of 4/22/2019

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	7	38	17,088	100	17,235
Shareholding (shares)	693	22,018,053	274,570,441	159,279,951	54,018,420	509,887,558
Percentage %	0.00	4.32	53.85	31.24	10.59	100

4.1.3 Shareholding Distribution Status

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

As of 4/22/2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage %
1 - 999	9,658	1,869,966	0.37
1000 - 5000	5,293	10,961,693	2.15
5001 - 10000	1,033	6,973,221	1.37
10001 - 15000	442	5,175,585	1.02
15001 - 20000	162	2,851,128	0.56
20001 - 30000	219	5,181,825	1.02
30001 - 40000	87	2,945,415	0.58
40001 - 50000	65	2,903,367	0.57
50001 - 100000	120	8,458,343	1.66
100001 - 200000	61	8,091,061	1.59
200001 - 400000	41	11,373,340	2.23
400001 - 600000	16	7,409,835	1.45
600001 - 800000	5	3,308,584	0.65
800001 - 1000000	4	3,673,859	0.72
1000001 or over	29	428,710,336	84.06
Total :	17,235	509,887,558	100

2. Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/22/2019

Shareholder's Name	Shareholding	
	Shares	Percentage %
Tsai Ye Enterprise Company Limited	50,500,000	9.90%
Quality Master Co., Ltd.	50,379,774	9.88%
Up Master Investment Co., Ltd.	50,070,000	9.82%
Tsai Wang Enterprise Company Limited	47,000,000	9.22%
Tony Ho	38,995,550	7.65%
Tsai-Chi Co., Ltd.	32,327,389	6.34%
Li Hsiung Co., Ltd.	31,523,263	6.18%
Judy Lee	25,711,294	5.04%
P&F Brother IND., Corp.	18,918,714	3.71%
Fubon Life Assurance Co.,Ltd.	17,519,037	3.44%

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

Unit: NT\$

Item		2017	2018 (Note1)	2019/1/1-2019/3/31 (Note3)
Market Price per Share	Highest Market Price	23.85	24.50	23.00
	Lowest Market Price	19.50	21.65	21.70
	Average Market Price	21.43	22.91	22.39
Net Worth per Share	Before Distribution	14.96	14.39	14.80
	After Distribution	13.76	-	-
Earnings per Share	Weighted Average Shares	509,887,558	509,887,558	509,887,558
	Diluted Earnings Per Share	1.61	0.8	0.35
Dividends per Share	Cash Dividends	1.20	1.28	-
	Stock Dividends	-	-	-
	Capital reserve	-	-	-
	Accumulated Undistributed Dividends	-	-	-
Return on Investment	Price / Earnings Ratio (Note2)	13.31	28.64	-
	Price / Dividend Ratio (Note2)	17.86	17.90	-
	Cash Dividend Yield Rate (Note2)	5.60%	5.59%	-

Note:

1. The earnings allocation plan is up for voting at the shareholders' meeting.
2. Price / Earnings Ratio = Average Market Price / Earnings per Share; Price / Dividend Ratio = Average Market Price / Cash Dividends per Share; Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
3. 2019 Q1 financial data have been duly reviewed by independent auditors.

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy

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

2. Proposed Distribution of Dividend

The Company's audited 2018 financial statements indicate that the net profit totaled to NT\$406,492,848. Adjust the adjusted investment retained earnings based on equity method of NT\$(30,249,448) and the remeasurements of beneficial plan is recognized in retained earnings of NT\$4,049,954, adding the undistributed retain of NT\$82,644,912, 10% for Legal reservation of NT\$(40,649,285), the surplus available for distribution was NT\$361,312,941.

The Company intends to allocate shareholder's dividends in the amount of NT\$356,921,291 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 22, 2019 (ex-dividend date) being 509,887,558 shares, and consequently the cash dividend per share is NT\$0.70; In addition, the company will distribute the cash dividend which amount is NT\$ 295,734,784 dollars from capital surplus. Based on current outstanding shares 509,887,558, the payout amount is NT\$ per share is 0.58. (Payout amount of less than NT\$1 will not be distributed). The total payout amount is NT\$ 1.28 per share.

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.

4.1.8 Employee, Director, and Supervisors' Remuneration

1. As pursuant to the Company Act and Article of Incorporation, no less than 1% of any profit made by the company in a year shall be allocated to employee remuneration, and the board of directors shall decide to distribute the remuneration as shares or cash, which can also be distributed to employees of affiliated companies that meet certain criteria. The chairman shall be authorized to establish the criteria.
The company may, with a resolution of the board of directors, allocate no more than 2% of the aforesaid profit to remuneration of directors. Remuneration of employees and of directors shall be presented to the shareholders meeting. A sum shall be set aside in advance to pay down any outstanding cumulative losses before remuneration of employees and of directors can be allocated according to the above percentage.
2. After the end of the fiscal year, should the Board of Directors resolve that the amount of monies to be distributed is to be changed significantly, the original provision of annual expenditure shall be adjusted, no less than 1%, and no more than 2% of the annual profit (i.e. the earnings before tax of the current year less the profit allocated to remuneration of employees and of directors) shall be allocated to remuneration of employees and of directors, respectively. If there is further adjustment of the aforesaid monies up to the date

of the Board's meeting, then the Board of Directors shall resolve that annual adjustment entries be recorded in accordance with accounting estimates thereof.

3. The Board of Directors approved remuneration information:

(1).The company's Remuneration of employees and of directors distribution in 2018,in accordance with the provisions of the Articles of Association of the Company, was approved by the Board of Directors on March 26 2019. This entailed remuneration of NT\$2,344,681 for employee and NT\$3,517,01 for directors bonuses in accordance with the provisions of the Articles of Association.The above amount does not differ from the amount recognized in 2018 years.

(2).The ratio of the proposed allotment of employee stock bonus amount and account for the ratio of current net income and employee remuneration: Not applicable.

4. The actual allocation of employee dividends and remuneration to directors in the previous year compared with the distribution plan originally approved by the Board: The company's Remuneration of employees and of directors distribution in 2017, The Company's was approved by the Board of Directors on March 26 2018.This entailed remuneration of NT\$8,332,235 for employee and NT\$12,498,353 for directors bonuses in accordance with the provisions of the Articles of Association. The amount above is identical with that in 2017.

4.1.9 Buyback of Treasury Stock

As of 4/30/2019

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

4.2 Issuance of Corporate Bonds : None.

4.3 Preferred Shares : None.

4.4 Issuance of Global Deposit Receipts : None.

4.5 Employee Stock Options and restrictions on employees' rights of new shares : None.

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

4.7 Financing Plans and Implementation : None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. The main content of the company's current business operations
 - (1) E605010 Computing Equipments Installation Construction
 - (2) E801010 Building Maintenance and Upholstery
 - (3) F101081 Wholesale of Seedling
 - (4) F101100 Wholesale of Flowers
 - (5) F101120 Wholesale of Aquarium Fishes
 - (6) F101130 Wholesale of Vegetable and Fruits
 - (7) F102020 Wholesale of Edible Oil
 - (8) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
 - (9) F102040 Wholesale of Nonalcoholic Beverages
 - (10) F102170 Wholesale of Food and Grocery
 - (11) F103010 Wholesale of Animal Feeds
 - (12) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
 - (13) F105050 Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures
 - (14) F106010 Wholesale of Ironware
 - (15) F106020 Wholesale of Articles for Daily Use
 - (16) F106030 Wholesale of Die
 - (17) F106040 Wholesale of Water Containers
 - (18) F106050 Wholesale of Pottery, Porcelain and Glassware
 - (19) F107030 Wholesale of Cleaning Preparations
 - (20) F107050 Wholesale of Manure
 - (21) F108040 Wholesale of Cosmetics
 - (22) F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
 - (23) F110010 Wholesale of Clocks and Watches
 - (24) F110020 Wholesale of Spectacles
 - (25) F111090 Wholesale of Building Materials
 - (26) F113010 Wholesale of Machinery
 - (27) F113020 Wholesale of Household Appliance
 - (28) F113030 Wholesale of Precision Instruments
 - (29) F113050 Wholesale of Computing and Business Machinery Equipment
 - (30) F113060 Wholesale of Metrological Instruments
 - (31) F113070 Wholesale of Telecom Instruments
 - (32) F113090 Wholesale of Traffic Signal Equipments and Materials
 - (33) F114010 Wholesale of Automobiles
 - (34) F114020 Wholesale of Motorcycles
 - (35) F114030 Wholesale of Motor Vehicle Parts and Supplies
 - (36) F114040 Wholesale of Bicycle Parts and Supplies
 - (37) F115010 Wholesale of Jewelry and Precious Metals
 - (38) F116010 Wholesale of Photographic Equipment
 - (39) F118010 Wholesale of Computer Software
 - (40) F119010 Wholesale of Electronic Materials
 - (41) F199990 Other Wholesale Trade
 - (42) F201010 Retail sale of Agricultural Products
 - (43) F201020 Retail sale of Husbandry Products
 - (44) F201061 Retail sale of Seedling
 - (45) F201070 Retail sale of Flowers
 - (46) F201090 Retail Sale of Aquarium Fishes
 - (47) F202010 Retail sale of Animal Feeds

- (48) F203020 Retail Sale of Tobacco and Alcoholic Drinks
- (49) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
- (50) F205040 Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
- (51) F206010 Retail Sale of Ironware
- (52) F206020 Retail Sale of Articles for Daily Use
- (53) F207030 Retail Sale of Cleaning Preparations
- (54) F207050 Retail Sale of Manure
- (55) F208040 Retail Sale of Cosmetics
- (56) F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
- (57) F210010 Retail Sale of Watches and Clocks
- (58) F210020 Retail Sale of Spectacles
- (59) F211010 Retail Sale of Building Materials
- (60) F213010 Retail Sale of Household Appliance
- (61) F213030 Retail sale of Computing and Business Machinery Equipment
- (62) F213040 Retail Sale of Precision Instruments
- (63) F213050 Retail Sale of Metrological Instruments
- (64) F213080 Retail Sale of Other Machinery and Equipment
- (65) F214010 Retail Sale of Automobiles
- (66) F214030 Retail Sale of Motor Vehicle Parts and Supplies
- (67) F214040 Retail Sale of Bicycles and Parts
- (68) F215010 Retail Sale of Jewelry and Precious Spectacles Metals
- (69) F216010 Retail Sale of Photographic Equipment
- (70) F218010 Retail Sale of Computer Software
- (71) F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified
- (72) F301020 Supermarkets
- (73) F399040 Retail Business Without Shop
- (74) F399010 Supermarkets
- (75) F401010 International Trade
- (76) F401071 Export and Import of Seedling
- (77) F501060 Restaurants
- (78) G801010 Warehousing and Storage
- (79) H701020 Industrial Factory Buildings Lease Construction and Development
- (80) H701010 Residence and Buildings Lease Construction and Development
- (81) H703090 Real Estate Commerce
- (82) H703100 Real Estate Rental and Leasing
- (83) I102010 Investment Consultancy
- (84) I103060 Management Consulting Services
- (85) I301010 Software Design Services
- (86) I301020 Data Processing Services
- (87) I301030 Digital Information Supply Services
- (88) I401010 General Advertising Services
- (89) I501010 Product Designing
- (90) I503010 Landscape and Interior Designing
- (91) IZ99990 Other Industry and Commerce Services Not Elsewhere Classified
- (92) J801030 Athletics and Recreational Sports Stadium
- (93) JE01010 Rental and Leasing Business
- (94) ZZ99999 Except the permitted business, the Company may engage in other businesses not prohibited or restricted by laws and regulations
- (95) A102060 Grain Commerce
- (96) F108031 Wholesale of Drugs, Medical Goods
- (97) F208031 Retail sale of Medical Equipments
- (98) C501060 Wooden Container Manufacturing

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

2. Percentage of total revenue of each product or service

(Unit : NTD thousand)

Year Division	2017		2018	
	Amount	%	Amount	%
Principal Trading	16,144,022	43.7%	19,136,206	48.0%
Agency Commission	344,019	0.9%	377,889	0.9%
Taiwan Retail	16,743,693	45.3%	16,457,044	41.2%
China Retail	2,708,323	7.3%	2,381,534	6.0%
Others	1,023,155	2.8%	1,545,277	3.9%
Total	36,963,212	100.0%	39,897,950	100.0%

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

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

4. New products (services) under development:

- (1) Development of effort-saving hand tools and related products: Hand tools remain one of the major categories of products shipped by the Company and accounting for approximately 30% of the exported amount in 2018. In addition to the providing comprehensive features in professional tools, effort-saving is a major point of consideration for consumers. With the principles of structural mechanics and leverage, the design of hand tools must take into account not only the innovative appearance but also ergonomics in order to meet market demand.
- (2) Development LED energy-saving lamps and related products:

- A. The advocacy for energy conservation is no longer merely a slogan in Europe and North America. Governments have incorporated relevant measures into legislations and policies to encourage investments by private enterprises.
 - B. Lamps and light fixtures are also a category of products exported by the Company. In Taiwan retail market, the Company cooperates with Japanese company, Toshiba, to develop LED ceiling lights and launch TLW private label LED light bulb.
- (3) Development of HOLA private label products:
 Test Rite has already achieved good progress in several categories such as bedding, textile, dining wares, the sales from our private label products had been more than 1/3 of total HOLA sales, by the end of 2018. We further published the new cooking ware products like stainless, non-stick, and cast-iron series.

5.1.2 Industry Overview

1. Current status and development of the industries

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

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

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

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

(1) Market Conditions of the trading business

From the early import-substitution policy and export expansion policy in the 1960s to the current policy of trade liberalization and internationalization, Taiwan has experienced rapid trade expansion. Over the past 20 years extending from 1996 to 2018, Taiwan's total trade volume has increased significantly (refer to table below). Meanwhile, trade with other countries has become the key driving force behind Taiwan's economic development. With China dominating as a global manufacturing center, trade with the mainland has picked up rapidly in recent years. In 2018, Taiwan's exports to China accounted for around 16% of its total exports, while corresponding imports was about 15% of total imports.

The Test Rite Group is actively expanding in China. In 2005, we set up a trading subsidiary in Shanghai to penetrate the Chinese market and solidify relations with suppliers in order to offer

products with a competitive advantage to our global retail clientele. In 2006, an office was set up in Shenzhen to explore the Chu Chiang Delta and connect with the broad supply chain network in southern China.

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

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

Import/Export Amounts by Year - Taiwan

(Unit : USD million)

Year	Total exports	Export Growth rate (%)	Total imports	Import Growth rate (%)	Total amount of trade	Total trade growth rate %
2009	205,663	-20.3%	177,598	-27.4%	383,260	-23.7%
2010	278,008	35.2%	256,274	44.3%	534,282	39.4%
2011	312,923	12.6%	288,062	12.4%	600,985	12.5%
2012	306,409	-2.1%	277,324	-3.7%	583,733	-2.9%
2013	311,428	1.6%	278,010	0.2%	589,438	1.0%
2014	320,092	2.8%	281,850	1.4%	601,942	2.1%
2015	285,344	-10.9%	237,219	-15.8%	522,563	-13.2%
2016	280,321	-1.8%	230,568	-2.8%	510,889	-2.2%
2017	317,249	13.2%	259,266	12.4%	576,515	12.8%
2018	335,909	5.8%	286,333	10.4%	622,241	7.93%

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

The overall business operation of an import/export business can be more complex relative to other industries. The major factors that affect trading business include FOREX fluctuations and non-economic barriers to trade such as government policy, trade protectionism, customs, and regional alliances. The fluctuations of exchange rates can be regarded as the main factor that

would affect the profitability, i.e. margins of the trading business, where as non-economic barriers can create challenging hurdles especially when expanding overseas presence in various markets.

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

A.Decreasing international trading in Taiwan

According to statistical data of imports and exports from the Bureau of Foreign Trade, Taiwan's trade with its primary trading partners (including China, Hong Kong, ASEAN, and Japan) decreased in 2018. Data from the Ministry of Economic Affairs show that total exports to China (including Hong Kong) amounted to USD138.3 billion in 2018, a 6.25% year-on-year decrease. Total imports were USD 55.2billion (down 7% from a year ago). Imports from United State were increased in14.8%, and exports were increased in 7.5%, Total trading amount has not come back to the level before 2014, and Taiwan depends more on top three major import and export countries.The delay signing of the Cross-Strait Service Trade Agreement and the lack of TPP and RCEP membership will make Taiwan’s international trading business more challenging in the future.

Regional trade concentration indicator

(Unit : USD100million; %)

Year	Total amount of trade	Export value	Import value	Taiwan to China export amount	China to Taiwan import amount	Taiwan - Top three countries with highest degrees of export concentration	Taiwan - Top three countries with highest degrees of import concentration
2009	383,260	205,663	177,598	84,640	25,602	67.7%	45.9%
2010	534,282	278,008	256,274	116,220	37,822	68.4%	45.9%
2011	600,985	312,923	288,062	125,971	45,681	68.6%	43.9%
2012	583,733	306,409	277,324	121,161	44,016	69.0%	42.6%
2013	589,438	311,428	278,010	125,305	44,931	69.7%	42.1%
2014	601,942	320,092	281,850	128,534	50,989	69.9%	43.6%
2015	522,563	285,344	237,219	112,540	46,734	69.6%	48.4%
2016	510,889	280,321	230,568	112,277	45,321	70.3%	49.7%
2017	576,515	317,249	259,266	130,213	51,555	71.2%	47.7%
2018	622,241	335,909	286,333	96,756	53,783	70.3%	46.7%

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

In 2018, the top three countries/regions for Taiwan's exports are: China/Hong Kong, ASEAN countries, United States; the top three countries/regions from which Taiwan imports are: China/Hong Kong, Japan, ASEAN.

B.Proportion of triangular trade has increased

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

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

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

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

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

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

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

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

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

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

(2) Principal trading

Output from traditional trading reached NTD19.1 billion in 2018, which represented growth of 18.5% over the previous year, and accounted for 59% of the consolidated output for all trade. Test Rite major products include hand tools (including hand tools and gardening tools; which account for 60% of traditional trading revenue) and household items (including sanitary equipment, automo supplies, fireplace equipment and supplies, furniture, Christmas and seasonal products, and barbecue utensils; which account for 40% of traditional trading revenue), making Test Rite the largest professional hand tools and household products trading company in Taiwan. Below we provide further analysis on the Company's key product offerings.

The regions with the highest demand for hand tools and household products are the developed countries, with North America and Europe representing nearly 70% of the export markets for hand tools. Typically, hand tools have been relatively stable and mature in terms of their types and forms, with relatively less needs for innovation. In recent years, multifunction tools have enjoyed phenomenal growth. However, in order to create market demand, the trend is for hand tools and household products to include multiple functions that is combined with unique designs and made with differentiating materials/colors/shapes. And in several instances, creative marketing campaigns are aligned/partnered with globally appealing pop culture there by create demand various products.

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

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

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

(3) Agency Business

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

The Agency business is the fastest-growing areas in recent years. We expect the growing trend will continue. Therefore, the Company will continue to devote to the development of sales activity in this segment, proactively expanding the number of purchasing agency clients, and maximizing growth and profit potential. The purchasing agency produced output worth NTD13.3 billion in 2018, which was increase 10.5% from the same period in the previous year, and accounted for approximately 41% of the consolidated trading output. Commission income from the purchasing agency business reached NTD378 million, accounting for 1.9% of total trading revenues. Storefront Retail Merchandise-

(4) Storefront Retail Merchandise

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

Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan saw sales of NT\$16.5 billion in 2018. Affected by the chill real-estate market in Taiwan, consumers' demands for replacement of household items are lowered. According to the government department of statistics, the wholesale of household items and building materials at respectively growing 3.25% and dropped 1.22% separately in 2018.

Year	Household item sales (NTD 100 millions)	Household item growth rate (%)	Building materials sales (NTD 100 millions)	Building materials growth rate (%)
2008	2,759	-0.98	459	3.39
2009	2,749	-0.35	451	-1.68
2010	2,920	6.21	488	8.23
2011	3,045	4.28	523	7.19
2012	3,015	-0.98	511	-2.31
2013	3,014	-0.02	523	2.32
2014	3,181	5.54	536	2.48
2015	3,170	-0.35	527	-1.66
2016	3,016	-4.85	513	-2.78
2017	2,892	-4.13	489	4.63
2018	2,986	3.25	483	-1.22

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

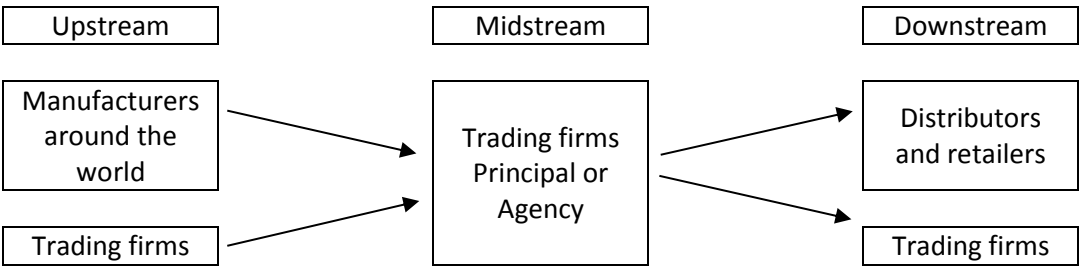
HOLA – Taiwan and China offer a wide variety of home décor which are at the forefront of living and home styles that are in sync with global trends. We offer a comprehensive lineup of household products with the most exquisite and refined living style aesthetics. These include soft and comfortable bedding,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

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

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

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

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



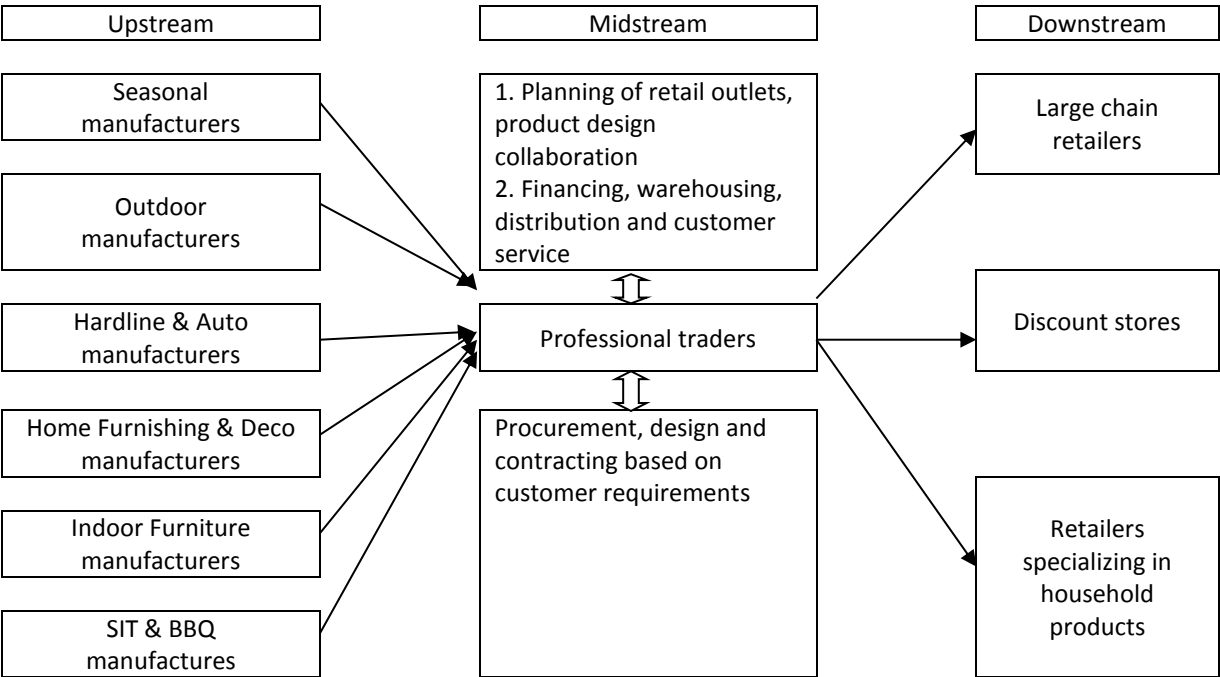
The so-called 'barriers to information access' is mainly geographic isolation and regulatory restrictions as well as the need of upstream and downstream vendors for working capital, as well advantages to either buyers or sellers as a result of product characteristics or structure of the sales channel.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

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

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

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

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



In order to provide customers with comprehensive services and identify new sourcing opportunities in local markets, trading companies often open branch offices in both domestic and overseas markets. Trading companies have also provide OEM or ODM products for downstream customers and some trading companies have created or acquired own brands to add to their

distribution channels along with the existing products they already source for global retail customers. In addition, trading companies can also increase their on size/scalability by acquire special niche players to bolster their our product portfolio. The most recent example for Test-Rite is the 1Q13 acquisition of International Art, a Christmas and seasonal specialist based in Shenzhen, China. In January 2015, the Company acquired a Germany BBQ brand. We will continue to explore additional M&A opportunities going forward.

(3) Developing Trends

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

A. Specialization in Products and Customer Services

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

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

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

C. Applications to accommodate e-Commerce

On December 23, 2017, we launched the brand new TR Plus website, which combined TLW and HOLA's online assets while also improving the overall user experience in browsing, buying, and interactivity. With the aim of establishing a one-of-a-kind one-stop online platform in Taiwan for all things related to the home, we will continue to expand our "hardline" product as well as develop "softline" offerings such as partial renovations and house-cleaning services. In addition, we will grow toward the "new retail", which means the consolidation of resources from online, offline and logistics, including the intergration of big data, physical stores and IOT.

The sales results for EC sales in the retail business in 2018 were:

- Test Rite <http://www.i-house.com.tw/> – annual sales revenue of NTD723 million, accounting for 6.5% of total revenue, and an 44.9% growing over the previous year;
- HOLA Taiwan <http://www.hola.com.tw> – annual sales revenue of NTD254 million, accounting for 4.8% of total revenue, and a 24% growing over the previous year;
- D. HOLA China <http://holahome.taiwan.tmall.com/> –annual sales revenue of RMB 3.3million, accounting for 0.06% of total revenue. Promotional activities and point collection offerings with customers via Weixin are done on a weekly basis

E. the Capabilities of Manufacturers

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

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

(4) Competition Status

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

5.1.3 Research and Development :

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

5.1.4 Long-term and Short-term Development

1. Operational Guidelines

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

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

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

(2) Maintaining Growth in the Retail Business

TLW and HOLA TW currently has no plan to open new physical store in Taiwan, but will focus on renovating existing stores to be more experiential, strengthen the irreplaceability of physical stores. At the mean time we will keep emphasizing on private label and unique products and other advantages to conceting our leading position in the market, for our retail operation in mainland China, we stores closed 5 stores in 2018, for our retail business in China, HOLA China, we continued with implementing our strategy of eliminating poorly performing stores

and improving profitability and efficiency. Major changes in the retail market are underway in China. Online companies have extended their businesses offline. Mainstream retail has now embraced the concept of “New Retail” as they operate without boundaries for an improved customer experience. Much has been invested in providing new experiential forms of product engagement and improving customer service. We aim to stay competitive in the China market by working with local strategic partners and leveraging our expertise in procurement, operating retail channels and stores, and offering customers distinctive experiences with our brand. All said, we expect to further narrow the losses and move closer to breakeven going forward.

(3)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.

(4)Group Integration

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

2. Important Marketing and Development Strategies

(1)Product Marketing:

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

(2)Product Development:

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

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Sales (Service) Region

(Unit : NTD thousand)

Division \ Year	2017		2018	
	Amount	%	Amount	%
Asia	31,044,156	83.99%	34,156,043	85.61%
America	4,163,617	11.26%	4,080,701	10.23%
Europe	1,755,439	4.75%	1,661,206	4.16%
Australia and Others	-	-	-	-
Total	36,963,212	100.00%	39,897,950	100%

(1) Export Markets

From 2016, U.S. economy is recovering, its unemployment rate is decreasing, and price of housing market is steadily rising. In this uprising market, our sales to American consitituted 10.23% of trading consolidated revenue. Our sales to Europe was 4.75%. Demand from Asia continues to grow because of increasing in consumption, the Asian domestic consumption markets continue to grow amidst brisk economic development. Test Rite's 14 sales locations span over 11 countries globally, and distribution centers have been established in four locations, namely Taiwan, China, Germany, and the United States. Moreover, the US distribution center offers warehousing, delivery and management services for clients in the traditional trading sector. With the trading arm of Test Rite being present in every corner of the world, the Company will be able to take the initiative to provide comprehensive services to customers in the retail sector and benefit from the growing markets.

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

(2) Domestic Market

As of December 2018, Test Rite and HOLA Taiwan have 27 and 26 stores, respectively. With Test Rite's strategy of operating in the "light renovation" market and cultivating market share in communities with our "Easy to Buy for Home Renovation" and small- and medium-sized DIY retail services, we now offer more comprehensive products and services for customers' home renovation and furnishing needs.

2. Market Share

- (1) Hand tools: Test Rite's subsidiary is showing steady growth in sales income, which is expected to grow in line with the expansion of the overall brand.
- (2) Home appliances: At present, no statistical data is available for this segment given the highly-varied and diverse nature of these products.

3. Future Supply and Demand and Market Growth

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

4. Competitive Niche

(1)Steady and continuing growth of the Company's primary business - Trading
We continue to expand our operations with five principal strategies: new products, customer development, product design, brand licensing, and development of regional markets. With the expansion of our business scope that now includes the purchasing agency business; we increase several new agency clients in 2016.

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

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

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

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

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

Favorable Factors :

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

Unfavorable Factors:

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

The Company's response strategies are as follows:

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

5.2.2 The Production Procedures of Main Products

1. Major Products and Their Main Uses :

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

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

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

	Channel Brand	Sales Merchandise and Services
Home Furnishings	HOLA	●A leader in lifestyle trends, HOLA provides fashionable and diverse furniture supplies. It has 26 stores in Taiwan and 21 stores in China.
Home Improvement	Test Rite Retail Test Rite good helper decoration union Test Rite Interior Design	●Comprehensive, professional, and leading DIY brands for home improvement supplies and services with 27 stores in Taiwan. ●Provides various communal home and business office decorations, kitchen modifications, plumbing and electrical maintenance, waterproofing and leak repair, as well as air conditioning repair advice. ●Home improvement and decoration services.
Mattresses and Bedding	HOLA CASA HOLA Petite WEDGWOOD FRETTE	●Sells high-quality furniture, such as mattresses, sofas, sofa beds, and leisure chairs. Exclusive agent for world-renowned brands, such as La-Z-Boy lounge chair, Kingsdown mattress, and Kuka Home sofa. Conducts sales through open stores and transparent pricing, and provides comfortable shopping spaces. There are a total of 24 store counters. ●New concept store focused on bedding/dining/bath-related lifestyle applications with 7 store counters. ●The Company is the agent for the Wedgwood home and bedroom decorated fabrics brand. There are presently 14 store counters. ●The Company is the agent for the Frette premium Italian bedding brand. There are presently 5 store counters.
Healthy Living	Live for Nature	●Healthy grains and tea, organic cotton, environmentally-friendly cleaning products, natural personal cleaning products, fair-trade merchandising, and other related products.
Comprehensive Household Integrated Services	DÉCOR House	●Professional services integrated with home improvement, home furnishing, furniture, bedding, interior design, and full-house decorations. Collaborates with various representative catering, home appliance, and service brands. Positioned as the “Comprehensive Home Integrated Services Solution” provider, the unit’s base in Taoyuan Nankan has a floor area of approximately 4,300 pings and a business area of 17,300 pings. It is Taiwan’s first large-scale shopping mall for household-themed merchandise.
Brand Agent	Crate & Barrel	●Republic of China 2015 years the American household channel brand; located in a shopping center in Taipei and Taichung ; In the fourth quarter of 2016, our second store was opened in Top City Taichung.

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

5.2.3 Supply Status of Main Materials

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

extensively on product specifications and delivery dates, and the supply of products has not been a problem.

5.2.4 Major Suppliers and Clients

1. Major clients: the Company's consolidated reports for 2018 and 2017 show that no single client accounted for over 10% of the total consolidated sales, hence this information is not disclosed.
2. Major vendors/suppliers: the Company's consolidated reports for years 2018 and 2017 show that no single vendor/supplier accounted for over 10% of the total consolidated sales, hence this information is not disclosed.

5.2.5 Production over the Last Two Years : N/A

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

5.2.6 Shipments and Sales over the Last Two Years

Unit : NTD\$ million

Business Units \ Year	2017		2018	
	Local	Export	Local	Export
	Amount	Amount	Amount	Amount
Principal Trading(Agency)	-	16,488,041	-	19,514,095
Taiwan Retail	16,743,693	-	16,457,044	-
China Retail	-	2,708,323	-	2,381,534
Others	608,777	414,378	1,111,347	433,930
Total	17,352,470	19,610,742	17,568,391	22,329,559

5.3 Human Resources

Test-Rite International Co., Ltd. and Subsidiaries

Year		2017	2018	Until April 30, 2019
No. of Group Employees		5,311	5,043	4,726
Average Age		36.4	37.3	37.62
Average Years of Service		6.1	6.6	6.95
Education	Ph.D.	0.02%	0.00%	0.00%
	Masters	4.14%	4.49%	4.90%
	Bachelor's Degree	62.39%	63.43%	64.69%
	Senior High School	29.43%	28.43%	27.46%
	Below Senior High School	4.02%	3.65%	2.95%

Test-Rite International Co., Ltd.

Year		2017	2018	Until April 30, 2019
No. of Group Employees		405	381	390
Average Age		41.76	42.16	41.81
Average Years of Service		9.4	9.5	9.35
Education	Ph.D.	0.00%	0.00%	0.00%
	Masters	12.50%	14.21%	16.93%
	Bachelor's Degree	72.73%	72.63%	71.39%
	Senior High School	14.77%	13.16%	12.11%

	Below Senior High School	0.00%	0.00%	0.00%
--	--------------------------	-------	-------	-------

5.4 Environmental expenditure Information:

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

To increase energy efficiency, The company since 2013 has been replaced by more energy efficient and environmentally friendly lighting equipment, and in the store more power consumption of the lights installed in the sub-district switch, and adjust the store's contract capacity, and then control the performance of power consumption, total expenses spent on environmental conservation over the last three years, including installation of energy saving lighting fixtures, waste management and wastewater treatme. are listed in detail as follows:

Items	2016	2017	2018
Installation of energy saving lighting fixtures	1,393,631	1,499,528	1,560,999
Waste management	6,786,983	6,639,815	6,479,894
Wastewater treatment	253,667	335,197	490,998
Total expenses	8,434,281	8,474,540	8,531,891

5.5 Labor Relations

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

(1)Employee Welfare Programs:

To promote the welfare of our employees and to create an environment in which ouremployees can enjoy working in, the Company established the Employee Welfare Committee on April 6, It will facilitate the promotion and implementation of various employee welfare measures. The funding source of f Employee Welfare Committee is a 0.1% of company's total monthly revenue and a 0.5% of the employee's salary. The benefits of Employee Welfare Committee contain birthday gift 、 gift certificate 、 Employee Travel Benefit 、 Wedding and funeral allowance 、 emergency assistance 、 group’s subsidy 、 athletic meeting 、 specific stores’ offer. At the same time, to employees’ physical and mental health, our company not only cooperates with Hsinchu life line to provide the free consultation channels for employees but also cooperate with Blood Service foundation to set the blood donation days, or hold health forum with relevant units. In addition, the company’s welfare contain the provision of employee health plans (labor insurance, health insurance, group insurance / commercial insurance and employee physical examination), employee shopping discounts, samples’ auctions, senior employee rewards, festival activities, and end-of-year party.

(2) Employee Education and Training Programs

Continuous learning forms one of the key elements for a business to avoid becoming obsolete in the face of market competition. The Company's educational training program is a long-term personnel training system in which all levels of leadership functions, key tasks, professional tasks and general training for staff members are established. In addition, a Corporate University – including the Management College, Trading College, and General Training College – has been set up in order to develop the human resources that foster a learning institution. The training plan is to assist the Company's operational strategy and its developmental needs. At the beginning of each year, a unit in charge of training will put forward the year's educational training plan for review, periodically assess the actual performance of the training which, in turn, serves as the basis for rectification of the subsequent plan. In addition, the Company has introduced digital learning platforms and developed a variety of e-learning digital courses.In 2018, we introduced the new gaming-learning platform "PaGamO", which turns the traditional training materials into question-and-answer way of learning. The trainees

are awarded with treasury and badges when answering correctly and occupying territories in the game. In addition, sometimes they can have different kind of awards when physically attending activities or classes that hold by training department. The new gaming-learning model, breaking traditional training and combining on-line and off-line experience, successfully create an atmosphere that improving the initiative and participant of learning in Testrite, that offer our staff members diverse learning channels and resources to enrich their learning and personal growth. This further illustrates the Company's emphasis and devotion to nurturing talent.

- A. Management training: The courses are designed and categorized based on the skills required for the different levels of leadership management. Basic-level management courses focus on personnel management, with the aim of training internal lecturers, who will pass down the company's management philosophy and culture, based on the concept of leaders mentoring leaders. These courses include the roles and duties of executives, performance management, motivation, and interpersonal communication for executives. Guided by practical cases to deepen manager's basic concepts and skills. Mid-level management courses concentrate on teamwork and creating synergy through self-regulated team learning. Furthermore, the Action Learning technique is introduced for trainees to learn to simultaneously address organizational issues and fully apply what they have learned to their work. Examples include courses that teach trainees to establish teamwork, how to cultivate employees' potential, etc. High-level management courses are designed with an emphasis on forward-looking strategic thinking and self-improvement. Senior management is given advice on the operation of the company by the board members, with external consultants hired to help inspect the situations encountered and come up with countermeasures, in an effort to enable senior management to continue to develop strategies and look ahead as it endeavors to expand the company. At the same time, the company attaches much importance to the self-improvement of its senior executives. Based on individual needs, they are sent to participate in external humanistic and leadership training programs. To shaped company culture, it promote case sharing and new cultural experience activities, so that executives actively discuss and share the feasible practices each other within the unit in the classroom. It will casue the company culture to be rooted in people's hearts.
- B. Specialized training: Specialized training roadmaps are drawn up based on various key specialized functions. A series of specialized courses on subjects including purchasing, marketing, and trading are designed for both beginners and advanced learners. In recent years, career roadmaps have been formulated to encourage employees to develop a second specialty and accumulate different kinds of specialized experience. In addition, to enable employees to quickly adapt themselves to external changes, apart from internal training sessions the company periodically sends employees to external training sessions or workshops, in an attempt to raise their awareness of market changes and maintain their level of specialized skills. In 2017, we put our professional "masters" from all stores into different groups, and gave them missions from gathering, organizing professional knowledge, to holding workshop activities. Base on products' categories and its' services, experience and professional training, to discuss and form a database that can be applied to all units in the Company. For the external, it can be used to meet the customer's need and increase our satisfactory; For the internal, it is a tool to maintian and pass down our professional knowlege, improve the exchange of information among stores, and motive our employees to improve their personal skill.2,Moreover, the company provides employees with the opportunity to work overseas and subsidizes their foreign language learning expenses.
- C. General knowledge training and orientation: Various general knowledge courses for various levels of the management are designed based on individual employees' general knowledge functions, with the aim of helping them improve their efficiency. These courses include communication skills, presentation skills, work management, problem analysis and resolution, and customer service. The company attaches much importance to employees' level of identification with the company's culture. During orientation, senior executives personally introduce the company's development and strategies. Courses are also designed to introduce the company's values, so that employees understand that the company values

‘honesty, responsibility, and humility.’ In addition, a mentor system has been introduced to provide continuous attention to new employees and help them to quickly adapt to the company’s environment. Additionally, the company has introduced a digital learning platform, and developed a wide variety of e-learning courses to provide employees with diverse learning channels and resources. The Company and Subsidiaries outcomes of the last two years (2018) Education and Training as follows:

Training programs	Training sessions	Attendees	Training Hours	Training expense
General knowledge training	18	4,386	5,215	\$10,284,557
Specialized training	172	9,286	79,841	
Management training	17	432	1,842	
Total	207	14,104	86,898	

- (3)Staff ethical conduct and code of ethics
- A. The Company has established "Work Regulations" for the staff to follow in their daily work and behavior. All staff should comply with the ethical conduct and code of ethics of the Company, for example: being in line with the principles of integrity and honesty, protecting the Company’s reputation, exhibiting a spirit of teamwork, loyalty and diligently finishing one’s duties, avoiding arrogance and greed, and refraining from behavior that may damage the reputation of individuals or the institution; staff are also disallowed from the use of their position to accept gifts or favors.
 - B. All staff members sign a confidentiality agreement that stipulates that staff should carefully manage matters and confidential information pertaining to their duties; except in cases where it is necessary to provide information for the execution of a certain duty, information not disclosed by the Company itself may not be disclosed to a third party or for purposes other than those related to the work in question. This applies also for those staff members who have signed the agreement but are no longer with the company.
 - C. The Company has established a "Major Internal Information Processing Procedure" in order to establish good internal processing and a mechanism within the Company for the disclosure of major information; this procedure prevents improper information leaks and ensures the consistency and accuracy of the information published by the Company.
 - D. The Company has established "Personal Data Management Objectives and Policies" for the management and preservation of the company's personal information, including that of its personnel and customers. To better regulate the behavior of employees using computers, the company has established its "Internet Security Management Regulations" and "Information Security Incident Management Regulations," with which all employees must comply.
 - E. The Company has established Code of Ethics for Business Management and Integrity Declaration and Undertaking, Encourage employees to find there is a breach in the rules or the Code of Practices Act, was spotted by the complainant reported the mailbox.
 - F. In order to maintain gender equality and respect at work, the Company prohibits all sexual harassment behavior in the work place, has established its "Sexual Harassment Prevention Measures, Claims, and Disciplinary Regulations," and irregularly holds and encourages employees to participate in gender-related educational workshops.
 - G. Measures related to the above provisions and the Company will from time to time are advocacy, and its content can be found in the Company's internal text managed system and the Company's official website.
- (4)Retirement programs and status of implementation:
- A. The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.
 - B. The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average

monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

C. As at year-end 2018, the fair value of the assets in the Company's retirement fund was NTD45,543million; the figure for the consolidated company was NTD343,821million.

(5)Labor-management agreement:

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

(6)Fulfillment of labor rights and interests

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

2. For the past two years and up to the present, the Company has suffered no losses due to labor disputes. It is difficult to provide a reasonable estimate to current or future losses. However, the Company is committed to strengthening communication with employees and we intend to maintain benefit programs that are satisfactory to them so as to promote more harmonious labor relations and to reduce the likelihood of any labor disputes in the future.

5.6 Important Contracts

December 31, 2018				
Agreement	Counterparty	Period	Major Contents	Restrictions
Lease Agreement	Tsai Wang Enterprise Company Limited	2017.12.26~ 2022.12.25	Lease Test Rite International Co., Ltd. building	The lease annual rent of NT\$ 329,455,226. During leasing year, the yearly rental has to be increased by 1% of previous year agreement.
Long-term loan	Syndicate Loan primarily coordinated and run by First Commercial Bank	2015.06.24~ 2020.06.24	Borrower: Test Rite International Co., Ltd. Project: Credit financing/credit cycles financing	Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100%. Interest protection multiplier cannot be lower than 250%. Net tangible assets cannot be lower than NTD5.20 billion. It is calculated base on annually individual financial statements of Testrite.
Long-term loan	First Commercial Bank	2017.6.27~ 2020.9.26	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None
Long-term loan	Chang Hwa Commercial Bank	2018.09.28~ 2021.09.28	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None
Long-term loan	Taishin International Bank	2018.08.01~ 2020.08.01	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	Debt ratio cannot exceed 200. Liquidity ratio cannot be lower than 100%. Interest protection multiplier cannot be lower than 300. It is calculated base on annually individual financial statements of Testrite.
Long-term loan	KGI Commercial Bank	2018.12.10~ 2020.12.10	Borrower: Test Rite International Co., Ltd. Project: Credit cycles financing	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan	KGI Commercial Bank	2018.12.10～ 2020.12.10	Common Borrower: Test Rite Retailing Co., Ltd.、Test Rite Trading Co., Ltd. Project: Credit cycles financing	None
Long-term loan	Taiwan Business Bank	2016.12.22～ 2019.12.22	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	O-Bank	2018.03.14～ 2021.03.13	Borrower: Test Rite Retail Co., Ltd. Project: credit cycles financing	Debt ratio cannot exceed 200. Liquidity ratio cannot be lower than 100%. Interest protection multiplier cannot be lower than 300. It is calculated base on annually individual financial statements of Testrite.
Long-term loan	O-Bank	2018.04.20～ 2023.04.19	Borrower: Test Rite Business Development Corporation (China) Co., Ltd. Project: Loan Secured	Using Test Rite Business Development (CHINA) Co Ltd's real Estate in Shanghai as the Mortgage Guarantee.
Long-term loan	Cathay United Bank	2018.10.24～ 2020.10.24	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	Hua Nan Commercial Bank	2018.12.27～ 2020.12.25	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	Bank SinoPac Company Limited	2018.12.19～ 2020.12.19	Borrower: Test Rite International Co., Ltd. Project: Credit cycles financing	D Debt ratio cannot exceed 200% Liquidity ratio cannot be lower than 100%. Interest protection multiplier cannot be lower than 250%. Net tangible assets cannot be lower than NTD5.20 billion. It is calculated base on annually individual financial statements of Testrite.

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan	Bank SinoPac Company Limited	2018.12.19～ 2020.12.19	Common Borrower: Test Rite Retailing Co., Ltd. 、 Test Rite Trading Co., Ltd. Project: credit cycles financing	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

Unit : NTD\$ thousand

Item \ Year		Year 2014-2018 Financial Summary (Note1)					2019/3/31 (Note2)
		2014	2015	2016	2017	2018	
Current Assets		13,194,183	13,023,367	12,662,427	11,851,316	13,362,576	13,159,572
Property, Plant and Equipment Note(2)		6,048,084	6,411,230	5,841,696	5,618,359	6,886,512	6,501,405
Right-of-use asset		-	-	-	-	-	11,276,079
Intangible Assets		2,473,018	2,613,288	2,571,957	2,571,107	2,591,183	2,571,621
Other Assets Note(2)		3,205,661	3,147,361	3,241,218	2,831,496	3,157,748	3,022,535
Total Assets		24,920,946	25,195,246	24,317,298	22,872,278	25,998,019	36,531,212
Current Liabilities	Before allocation	12,093,772	10,808,606	10,808,606	10,230,994	12,052,649	12,770,315
	After allocation	12,578,165	11,333,790	11,359,284	10,842,859	(Note4)	(Note4)
Non-Current Liabilities		6,192,298	5,672,052	6,092,409	4,969,017	6,531,886	16,134,699
Total Liabilities	Before allocation	17,765,824	16,901,015	16,901,015	15,200,011	18,584,535	28,905,014
	After allocation	18,250,217	17,426,199	17,451,693	15,811,876	(Note4)	(Note4)
Equity attributable to owners of the parent		7,333,453	7,425,940	7,412,893	7,630,402	7,337,855	7,547,684
Capital Stock		5,139,555	5,098,875	5,098,875	5,098,875	5,098,875	5,098,875
Capital Surplus	Before allocation	678,829	673,456	673,456	647,962	647,962	647,962
	After allocation	678,829	673,456	647,962	647,962	(Note4)	(Note4)
Retained Earnings	Before allocation	1,682,466	1,806,942	1,806,942	2,064,003	1,832,432	2,023,703
	After allocation	1,198,073	1,281,758	1,281,758	1,452,138	(Note4)	(Note4)
Other Equity		29,813	(28,857)	(166,380)	(180,438)	(241,414)	(222,856)
Treasury Stock		(248,171)	-	-	-	-	-
Non-Controlling Interest		27,522	3,482	3,390	41,865	75,629	78,514
Total Equity	Before allocation	7,360,975	7,429,422	7,416,283	7,672,267	7,413,484	7,626,198
	After allocation	6,783,574	6,945,029	6,865,605	7,060,402	(Note4)	(Note4)

Note:

1. 2014-2018 financial data have been duly audited by independent auditors.
2. Those who have been made assets revaluation should be noted the revaluation date incremental value.
3. March 31, 2019 financial data have been reviewed by independent auditors.
4. 4.Final decision after the resolution of the shareholders' meeting

6.1.2 Condensed Standalone Balance Sheet

Unit : NTD\$ thousand

<div> <div></div> <div>Year</div> </div> <div>Item</div>		Year 2014-2018 Financial Summary (Note)				
		2014	2015	2016	2017	2018
Current Assets		4,989,496	4,561,836	3,559,022	4,025,327	5,073,774
Property, Plant and Equipment Note(2)		585,681	792,375	800,823	774,042	746,479
Intangible Assets		60,352	50,183	43,996	44,174	34,302
Other Assets Note(2)		9,188,552	9,383,615	10,161,004	9,282,690	10,075,364
Total Assets		14,824,081	14,788,009	14,564,845	14,126,233	15,929,919
Current Liabilities	Before allocation	3,679,829	3,650,880	3,136,391	3,296,593	4,251,793
	After allocation	4,257,230	4,135,273	3,661,575	3,908,458	4,904,449
Non-Current Liabilities		3,810,799	3,711,189	4,015,561	3,199,238	4,340,271
Total Liabilities	Before allocation	7,490,628	7,362,069	7,151,952	6,495,831	8,592,064
	After allocation	8,068,029	7,846,462	7,677,136	7,107,696	9,244,720
Equity attributable to owners of the parent		-	-	-	-	-
Capital Stock		5,139,555	5,098,875	5,098,875	5,098,875	5,098,875
Capital Surplus		678,829	673,456	673,456	647,962	647,962
Retained Earnings	Before allocation	1,733,427	1,682,466	1,806,942	2,064,003	1,832,432
	After allocation	1,156,026	1,198,073	1,281,758	1,452,138	1,179,776
Other Equity		29,813	(28,857)	(166,380)	(180,438)	(241,414)
Treasury Stock		(248,171)	-	-	-	-
Non-Controlling Interest		-	-	-	-	-
Total Equity	Before allocation	7,333,453	7,425,940	7,412,893	7,630,402	7,337,855
	After allocation	6,756,052	6,941,547	6,887,709	7,018,537	6,685,199

Note:

1.2014-2018 financial data have been duly audited by independent auditors.

2.Those who have been made assets revaluation should be noted the revaluation date incremental value

3.The earnings allocation plan is passed by the board of directors on March 26, 2019 and is up for voting at the shareholders 'meeting.

6.1.3 Condensed Consolidated statement of Income - IFRSs

Unit : NTD\$ thousand

Item \ Year	Year 2014-2018 Financial Summary (Note1)					2019/3/31 (Note2)
	2014	2015	2016	2017	2018	
Revenue	35,946,241	35,981,451	35,443,444	36,963,212	39,897,950	9,878,834
Operating revenue	10,832,026	11,302,872	11,258,814	10,782,667	10,260,989	2,812,906
Gross profit	981,902	810,467	824,820	960,655	460,926	312,218
Non-operating income and expense	(98,758)	54,638	67,543	150,349	(114,869)	(90,943)
Income before tax	883,144	865,105	892,363	1,111,004	346,057	221,275
Income from operations of continued segments - after tax	715,167	670,485	676,020	826,105	418,921	180,426
Income from discontinued operations	-	-	-	-	-	-
Profit or loss for the period	715,167	670,485	676,020	826,105	418,921	180,426
Other comprehensive income	37,323	(131,293)	(204,766)	(54,354)	(61,575)	18,559
Total comprehensive income	752,490	539,192	471,254	771,751	357,346	198,985
Allocations of profit or loss for the period attributable to owners of the parent.	705,731	670,509	676,029	823,012	406,493	178,146
Allocations of profit or loss for the period attributable to non-controlling interest.	9,436	(24)	(9)	3,093	12,428	2,280
Allocations of total comprehensive income for the period attributable to owners of the parent.	744,221	540,899	471,346	768,703	344,713	196,704
Allocations of total comprehensive income for the period attributable to non-controlling interest.	8,269	(1,707)	(92)	3,048	12,633	2,281
Earnings per share	1.42	1.32	1.33	1.61	0.80	0.35

Note1 : 2014-2018 financial data have been duly audited by independent auditors.

Note2 : March 31, 2019 financial information is audited by accountant.

6.1.4 Condensed Standalone statement of Income

Unit : NTD\$ thousand

Item \ Year	Year 2014-2018 Financial Summary(Note)				
	2014	2015	2016	2017	2018
Revenue	12,936,975	12,679,062	11,998,176	15,686,507	18,008,799
Operating revenue	2,560,578	2,621,452	2,603,561	2,944,136	2,732,017
Gross profit	166,730	112,458	224,802	470,664	194,296
Non-operating income and expense	575,602	607,064	495,887	377,444	34,310
Income before tax	742,332	719,522	720,689	848,108	228,606
Income from operations of continued segments - after tax	705,731	670,509	676,029	823,012	406,493
Income from discontinued operations	0	-	-	-	-
Profit or loss for the period	705,731	670,509	676,029	823,012	406,493
Other comprehensive income	38,490	(129,610)	(204,683)	(54,309)	(61,780)
Total comprehensive income	744,221	540,899	471,346	768,703	344,713
Allocations of profit or loss for the period attributable to owners of the parent.	-	-	-	-	-
Allocations of profit or loss for the period attributable to non-controlling interest.	-	-	-	-	-
Allocations of total comprehensive income for the period attributable to owners of the parent.	-	-	-	-	-
Allocations of total comprehensive income for the period attributable to non-controlling interest.	-	-	-	-	-
Earnings per share	1.42	1.32	1.33	1.61	0.80

Note : 2014-2018 financial data have been duly audited by independent auditors.

6.1.5 Auditors' Opinions from 2014 to 2018

Year	CPA's Name	CPA's Opinion
2014	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2015	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2016	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2017	HUNG,KUO-TIEN, WU, KER-CHANG	Unqualified opinion
2018	YU,HUNG-Bin, CHIU, Ming-Yu	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item \ Year		Financial analysis in the past 5 years (Note1)					2019/3/31 (Note2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Ratio of liabilities to assets	70.46	70.51	69.5	66.46	71.48	79.12
	Ratio of long-term capital to Property, Plant and Equipment	214.88	204.30	231.25	225.00	202.50	365.47
Solvency (%)	Current ratio	116.07	107.69	117.15	115.84	110.87	103.05
	Quick ratio	62.57	48.98	52.37	53.93	60.28	57.59
	Times interest earned ratio	5.70	5.00	4.89	5.88	2.19	2.7
AR/AP (turnover)	Accounts receivable turnover (turns)	12.25	12.89	14.36	13.47	10.54	8.60
	Average collection period	29.79	28.31	25.41	27.09	34.62	42.44
	Inventory turnover (turns)	4.63	3.98	3.62	4.13	4.64	4.99
	Accounts payable turnover (turns)	4.81	4.21	4.16	4.62	4.64	4.74
	Average days in sales	78.83	91.70	100.82	88.37	78.66	73.14
	Property, Plant and Equipment turnover (turns)	5.87	5.78	5.79	6.27	6.38	5.90
	Total assets turnover (turns)	1.49	1.44	1.43	1.57	1.63	1.26
Profitability	Return on total assets (%)	3.61	3.39	3.43	4.22	2.10	0.65
	Return on stockholders' equity (%)	10.15	9.09	9.11	10.94	5.43	2.39
	Operating income Ratio to issued capital (%)	19.10	15.90	16.18	18.84	9.04	6.12
	Pretax income Ratio to issued capital (%)	17.18	16.97	17.50	21.79	6.79	4.34
	Operating profit						
	Profit ratio (%)	1.99	1.86	1.91	2.23	1.02	1.80
	Earnings per share (\$)	1.42	1.32	1.33	1.61	0.80	0.35
Cash flow	Cash flow ratio (%)	1.54	12.78	22.82	3.32	8.17	3.48
	Cash flow adequacy ratio (%)	75.83	81.38	121.80	81.63	67.77	86.08
	Cash reinvestment ratio (%)	-1.89	5.52	10.69	-1.91	2.12	-1.08
Leverage	Operating leverage	12.00	15.32	15.04	12.20	25.47	9.29
	Financial leverage	1.24	1.36	1.39	1.31	2.73	1.72

Reasons for changes in the various consolidated financial ratios for the two-year period of 2017-2018. (No analysis needed for increases or decreases that are less than 20%.)

1. Times interest earned was caused by pre-tax profit in 2018.
2. Accounts receivables turnover Ratio decrease and cash flow adequacy ratio increase was main driven by Trading business's sales in 2018.
3. Return on Assets 、Return on equity 、Operating profit as a percentage of paid-in capital 、pre-tax profit as a percentage of paid-in capital and net margin decrease was caused by net profit in 2018.
4. Cash flow ratio and cash flow adequacy ratio increase was mainly driven by cash flows from operating activities increase.
5. Operating leverage and Financial leverage increase was mainly driven by operating profit in 2018.

Note:

1. 2014-2018 financial data have been duly audited by independent auditors.
2. 1Q/2019 financial data have been reviewed by independent auditors.

6.2.2 Standalone Financial Analysis

Item \ Year		Financial analysis in the past 5 years (Note)				
		2014	2015	2016	2017	2018
Financial structure (%)	Ratio of liabilities to assets	50.53	49.78	49.10	45.98	53.94
	Ratio of long-term capital to Property, Plant and Equipment	1,843.4	1,330.57	1,427.09	1,399.10	1,564.43
Solvency (%)	Current ratio	135.59	124.95	113.48	122.11	119.33
	Quick ratio	126.02	117.54	107.10	118.17	118.02
	Times interest earned ratio	12.58	9.54	9.19	9.21	2.61
AR/AP (turnover)	Accounts receivable turnover (turns)	3.67	3.38	3.62	4.99	4.51
	Average collection period	99	108	101	73	81
	Inventory turnover (turns)	52.92	45.40	59.31	131.57	430.10
	Accounts payable turnover (turns)	5.04	4.92	4.54	5.49	5.52
	Average days in sales	7	8	6	3	1
	Property, Plant and Equipment turnover (turns)	22.71	18.40	15.06	19.92	23.69
	Total assets turnover (turns)	0.91	0.86	0.82	1.09	1.20
Profitability	Return on total assets (%)	5.32	5.00	5.10	6.33	3.46
	Return on stockholders' equity (%)	10.01	9.09	9.11	10.94	5.43
	Operating income Ratio to issued capital (%)	3.24	2.21	4.41	9.23	3.81
	Pretax income Ratio to issued capital (%)	14.44	14.11	14.13	16.63	4.48
	Operating profit	5.46	5.29	5.63	5.25	2.26
	Profit ratio (%)	1.42	1.32	1.33	1.61	0.80
	Earnings per share (\$)	1.42	1.32	1.33	1.61	0.80
Cash flow	Cash flow ratio (%)	-9.46	39.12	64.78	22.37	9.97
	Cash flow adequacy ratio (%)	51.92	74.21	223.00	153.79	130.48
	Cash reinvestment ratio (%)	-7.52	7.51	13.25	1.68	-1.57
Leverage	Operating leverage	8.58	12.58	6.42	3.15	5.78
	Financial leverage	1.62	3.98	1.64	1.28	3.71

Reasons for changes in the various financial ratios for the two-year period of 2017-2018. (No analysis needed for increases or decreases that are less than 20%.)

1. The decrease in Times interest earned was caused by the reduced net profit before tax due to recognition of the subsidiaries' loss by equity method.
2. The increase in Inventory Turnover was caused by a decrease in 62 million inventories of domestic sales in the current period.
3. Average inventory turnover days reduced was caused by the higher Inventory Turnover.
4. The decrease in Return on total assets was caused by the reduced net profit after tax.
5. The decrease in Return on stockholders' equity was caused by the reduced net profit after tax.
6. The decrease in operating profit as a percentage of paid-in capital was caused by the reduction 276 million of gross margin and operating profit.
7. The decrease in pre-tax profit as a percentage of paid-in capital was caused by the reduction of 620 million of pre-tax profit.
8. The decrease in net profit margin was caused by the reduction of net profit after tax.
9. The decrease in earnings per share was caused by the reduction of net profit after tax.
10. The decrease in Cash Flow Ratio, Cash Flow Adequacy Ratio and Cash Re-investment Ratio was caused by the increase in cash flows from operating activities.
11. The increase in operating leverage and Financial leverage was mainly driven by the reduction of operating profit in 2018.

Note: 2014-2018 financial data have been duly audited by independent auditors.

Note 2 : Formulas for the above table:

1. Financial structure

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

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest cover = Income before interest and tax / Interest expense

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

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover ratio
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover ratio
- (6) Fixed asset turnover = Net revenue / Net fixed assets
- (7) Total asset turnover = Net revenue / Total assets

4. Profitability

- (1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

5. Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use 0 if working capital value is negative)

6. Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

6.3 Supervisors' Report in the Most Recent Year

To: Test Rite International Co., Ltd. 2019 Shareholders Meeting

From: Audit Committee of Test Rite International Co., Ltd

Re: Audit Committee's Review Report

Dear shareholders,

The Board of Directors provide the company's business report, consolidated financial statements and motion of profit appropriation in 2018. Audited independent auditors Mr. YU, HUNG-BIN and Ms. CHIU, MING-YU of Deloitte Touche, issue an unqualified audit report

The above mentioned business report, business report, consolidated financial statements and motion of profit appropriation was approved and considered in compliance with relevant laws and regulation by the audit committee. Based on Article 14-4 of Securities and Exchange Act and Company Act 219. Reporting for review.

Test Rite International Co., Ltd.
Chairman of the Audit Committee : Lai, Yung Chi

Date: March 26, 2019

6.4 Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Test-Rite International Co., Ltd. (the "Company") and its subsidiaries (collectively referred as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2018 is as follows:

Existence of Sales Revenue

The Group's main source of revenues is export sales, and the export sales derived from one of the major customers has grown notably compared to last year's figure. We therefore considered that the existence of sales revenue from this major customer as a key audit matter for 2018. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the existence of sales revenue included understanding and testing the design and the implementation of internal control of sales revenue and selecting samples of sales revenue items from this major customer to ensure the occurrence of transactions.

Other Matter

We have also audited the parent company only financial statements of Test-Rite International Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances,

we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hung-Bin Yu and Ming-Yu Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2019

Notice to Readers

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,995,662	8	\$ 1,461,147	6
Financial assets at fair value through profit or loss - current (Note 7)	303,131	1	630,141	3
Financial assets at amortized cost - current (Notes 4 and 8)	30,810	-	-	-
Contract assets - current (Notes 4 and 23)	204,203	1	-	-
Debt investments with no active market - current (Notes 4 and 9)	-	-	2,222	-
Notes receivable from unrelated parties (Note 10)	64,925	-	46,054	-
Trade receivables from unrelated parties (Note 10)	4,485,420	17	2,977,355	13
Other receivables	127,351	1	377,546	2
Inventories (Note 11)	5,779,602	22	6,043,748	27
Prepayments	317,108	1	290,254	1
Other current financial assets	17,755	-	21,788	-
Other current assets	<u>36,609</u>	<u>-</u>	<u>1,061</u>	<u>-</u>
Total current assets	<u>13,362,576</u>	<u>51</u>	<u>11,851,316</u>	<u>52</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	49,213	-	-	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	43,991	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 13)	-	-	75,744	-
Debt investments with no active market - non-current (Notes 4 and 9)	-	-	235,461	1
Property, plant and equipment (Note 15)	6,886,512	27	5,618,359	25
Goodwill (Note 16)	2,361,198	9	2,336,399	10
Other intangible assets (Note 17)	229,985	1	234,708	1
Deferred tax assets (Note 4)	1,436,403	6	1,166,110	5
Refundable deposits	993,070	4	802,502	4
Other non-current assets	<u>635,071</u>	<u>2</u>	<u>551,679</u>	<u>2</u>
Total non-current assets	<u>12,635,443</u>	<u>49</u>	<u>11,020,962</u>	<u>48</u>
TOTAL	<u>\$ 25,998,019</u>	<u>100</u>	<u>\$ 22,872,278</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 2,146,783	8	\$ 1,211,838	5
Short-term bills payable (Note 18)	99,966	-	79,992	-
Financial liabilities at fair value through profit or loss - current (Note 7)	16,017	-	40,159	-
Contract liabilities - current (Notes 4 and 23)	65,816	-	-	-
Notes payable to unrelated parties	40,095	-	9,567	-
Trade payables to unrelated parties	6,118,110	24	5,516,821	24
Other payables (Note 20)	1,621,052	6	1,427,836	6
Current tax liabilities (Note 4)	122,687	1	126,171	1
Advance receipts	597,015	2	562,283	3
Current portion of long-term borrowings (Note 18)	1,073,571	4	1,225,000	6
Other current liabilities	<u>151,537</u>	<u>1</u>	<u>31,327</u>	<u>-</u>
Total current liabilities	<u>12,052,649</u>	<u>46</u>	<u>10,230,994</u>	<u>45</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	6,094,520	23	4,491,928	19
Deferred tax liabilities (Note 4)	20,907	-	22,799	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	130,585	1	150,138	1
Guarantee deposits received	225,527	1	230,277	1
Other non-current liabilities	<u>60,347</u>	<u>-</u>	<u>73,875</u>	<u>-</u>
Total non-current liabilities	<u>6,531,886</u>	<u>25</u>	<u>4,969,017</u>	<u>21</u>
Total liabilities	<u>18,584,535</u>	<u>71</u>	<u>15,200,011</u>	<u>66</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TEST-RITE				
Share capital				
Ordinary shares (Note 22)	<u>5,098,875</u>	<u>20</u>	<u>5,098,875</u>	<u>23</u>
Capital surplus (Note 22)	<u>647,962</u>	<u>2</u>	<u>647,962</u>	<u>3</u>
Retain earnings (Note 22)				
Legal reserve	1,189,056	4	1,110,326	5
Special reserve	180,438	1	166,380	1
Unappropriated earnings	<u>462,938</u>	<u>2</u>	<u>787,297</u>	<u>3</u>
Total retain earnings	<u>1,832,432</u>	<u>7</u>	<u>2,064,003</u>	<u>9</u>
Other equity (Note 22)	<u>(241,414)</u>	<u>(1)</u>	<u>(180,438)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	7,337,855	28	7,630,402	34
NON-CONTROLLING INTERESTS	<u>75,629</u>	<u>1</u>	<u>41,865</u>	<u>-</u>
Total equity	<u>7,413,484</u>	<u>29</u>	<u>7,672,267</u>	<u>34</u>
TOTAL	<u>\$ 25,998,019</u>	<u>100</u>	<u>\$ 22,872,278</u>	<u>100</u>

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 39,897,950	100	\$ 36,963,212	100
OPERATING COSTS (Note 11)	<u>29,636,961</u>	<u>74</u>	<u>26,180,545</u>	<u>71</u>
GROSS PROFIT	10,260,989	26	10,782,667	29
OPERATING EXPENSES				
Selling and marketing expenses	8,393,229	21	8,461,368	23
General and administrative expenses	1,401,596	4	1,360,644	3
Expected credit loss	<u>5,238</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>9,800,063</u>	<u>25</u>	<u>9,822,012</u>	<u>26</u>
PROFIT FROM OPERATIONS	<u>460,926</u>	<u>1</u>	<u>960,655</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	24,932	-	25,151	-
Other income	150,962	-	255,922	1
Gain on disposal of property, plant and equipment (Note 15)	-	-	225,690	1
Gain (loss) on sale of investments, net	10,537	-	(6,977)	-
Foreign exchange gains	151,708	1	68,234	-
Net gain on financial instruments at fair value through profit or loss	5,022	-	-	-
Interest expense	(292,010)	(1)	(227,639)	(1)
Other expenses	(55,410)	-	(172,323)	(1)
Loss on disposal of property, plant and equipment	(86,454)	-	-	-
Impairment loss recognized on goodwill (Note 16)	(24,156)	-	-	-
Net loss on financial instruments at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(17,709)</u>	<u>-</u>
Total non-operating income and expenses	<u>(114,869)</u>	<u>-</u>	<u>150,349</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	346,057	1	1,111,004	3
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 24)	<u>72,864</u>	<u>-</u>	<u>(284,899)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>418,921</u>	<u>1</u>	<u>826,105</u>	<u>2</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (26,221)	-	\$ (40,281)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(1,161)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(34,193)</u>	<u>-</u>	<u>(14,073)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(61,575)</u>	<u>-</u>	<u>(54,354)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 357,346</u>	<u>1</u>	<u>\$ 771,751</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 406,493	1	\$ 823,012	2
Non-controlling interests	<u>12,428</u>	<u>-</u>	<u>3,093</u>	<u>-</u>
	<u>\$ 418,921</u>	<u>1</u>	<u>\$ 826,105</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 344,713	1	\$ 768,703	2
Non-controlling interests	<u>12,633</u>	<u>-</u>	<u>3,048</u>	<u>-</u>
	<u>\$ 357,346</u>	<u>1</u>	<u>\$ 771,751</u>	<u>2</u>
EARNINGS PER SHARE (Notes 4 and 25)				
Basic	<u>\$ 0.80</u>		<u>\$ 1.61</u>	
Diluted	<u>\$ 0.80</u>		<u>\$ 1.61</u>	

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

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Test-Rite											Total Equity
							Other Equity			Total	Non-controlling Interests	
							Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
								Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets			
	Share Capital		Capital Surplus	Retained Earnings								
	Share (In Thousands)	Share Capital		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2017	509,888	\$ 5,098,875	\$ 673,456	\$ 1,049,379	\$ 148,098	\$ 609,465	\$ (166,405)	\$ 25	\$ -	\$ 7,412,893	\$ 3,390	\$ 7,416,283
Appropriation of 2016 earnings (Note 22)												
Legal reserve	-	-	-	60,947	-	(60,947)	-	-	-	-	-	-
Special reserve	-	-	-	-	18,282	(18,282)	-	-	-	-	-	-
Cash dividends	-	-	(25,494)	-	-	(525,184)	-	-	-	(550,678)	-	(550,678)
Net profit for the year ended December 31, 2017	-	-	-	-	-	823,012	-	-	-	823,012	3,093	826,105
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(40,251)	(14,058)	-	-	(54,309)	(45)	(54,354)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	782,761	(14,058)	-	-	768,703	3,048	771,751
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(23,156)	(23,156)
Changes in ownership of subsidiary	-	-	-	-	-	(516)	-	-	-	(516)	58,583	58,067
BALANCE AT DECEMBER 31, 2017	509,888	5,098,875	647,962	1,110,326	166,380	787,297	(180,463)	25	-	7,630,402	41,865	7,672,267
Effect of retrospective application (Note 3)	-	-	-	-	-	-	-	(25)	(25,370)	(25,395)	-	(25,395)
ADJUSTED BALANCE, JANUARY 1, 2018	509,888	5,098,875	647,962	1,110,326	166,380	787,297	(180,463)	-	(25,370)	7,605,007	41,865	7,646,872
Appropriation of 2017 earnings (Note 22)												
Legal reserve	-	-	-	78,730	-	(78,730)	-	-	-	-	-	-
Special reserve	-	-	-	-	14,058	(14,058)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(611,865)	-	-	-	(611,865)	-	(611,865)
Cash dividends to subsidiaries' shareholders	-	-	-	-	-	-	-	-	-	-	(4,753)	(4,753)
Net profit for the year ended December 31, 2018	-	-	-	-	-	406,493	-	-	-	406,493	12,428	418,921
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(26,199)	(34,420)	-	(1,161)	(61,780)	205	(61,575)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	380,294	(34,420)	-	(1,161)	344,713	12,633	357,346
Increase of non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,884	25,884
BALANCE AT DECEMBER 31, 2018	509,888	\$ 5,098,875	\$ 647,962	\$ 1,189,056	\$ 180,438	\$ 462,938	\$ (214,883)	\$ -	\$ (26,531)	\$ 7,337,855	\$ 75,629	\$ 7,413,484

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 346,057	\$ 1,111,004
Adjustments for:		
Depreciation expense	611,339	621,181
Amortization expense	113,001	130,816
Expected credit loss recognized on trade receivables	5,238	-
Impairment loss reversed on trade receivables	-	(3,602)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(5,022)	17,709
Interest expense	292,010	227,639
Interest income	(24,932)	(25,151)
Compensation costs of employee share options	-	42
Loss (gain) on disposal and impairment of property, plant and equipment	86,454	(225,690)
(Gain) loss on disposal of investments	(10,537)	6,977
Impairment loss recognized on goodwill	24,156	-
Amortization of unrealized gain on sale-leasebacks	-	(50,000)
Changes in operating assets and liabilities		
Financial assets held for trading	318,427	(201,527)
Contract assets	(67,610)	-
Notes receivable	(18,871)	15,771
Trade receivables	(1,504,088)	(570,612)
Other receivables	250,054	(133,750)
Inventories	143,554	598,982
Prepayments	(24,797)	51,143
Other current assets	285	3,274
Other financial assets	1,319	364
Other operating assets	42,264	(128,975)
Contract liabilities	(24,256)	-
Notes payable	28,188	(12,147)
Trade payables	602,670	(266,425)
Other payables	156,120	(226,652)
Advance receipts	119,554	6,979
Other current liabilities	38,521	(74,808)
Other operating liabilities	(60,176)	(60,645)
Cash generated from operations	1,438,922	811,897
Interest received	25,073	25,411
Interest paid	(287,529)	(228,933)
Income tax paid	(191,384)	(268,196)
Net cash generated from operating activities	985,082	340,179

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	\$ (28,588)	\$ -
Proceeds from sale of financial assets at amortized cost	191,470	-
Purchase of debt investments with no active market	-	(13,830)
Proceeds from sale of debt investments with no active market	-	57,115
Purchase of financial assets measured at cost	-	(1,088)
Proceeds from sale of financial assets measured at cost	-	6,211
Net cash outflow on acquisition of subsidiaries	(46,195)	-
Payments for property, plant and equipment	(2,045,143)	(223,310)
Proceeds from disposal of property, plant and equipment	7,355	463,220
Increase in refundable deposits	(189,080)	-
Decrease in refundable deposits	-	9,528
Payments for intangible assets	<u>(77,858)</u>	<u>(13,727)</u>
Net cash (used in) generated from investing activities	<u>(2,188,039)</u>	<u>284,119</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	934,945	(587,688)
Proceeds from short-term bills payable	19,974	79,992
Proceeds from long-term borrowings	8,922,539	4,007,172
Repayments of long-term borrowings	(7,477,418)	(4,462,166)
Decrease in guarantee deposits received	(4,750)	(7,098)
Dividends paid	(611,865)	(550,678)
Changes in non-controlling interests	<u>(4,753)</u>	<u>34,869</u>
Net cash generated from (used in) financing activities	<u>1,778,672</u>	<u>(1,485,597)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(41,200)</u>	<u>19,882</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	534,515	(841,417)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,461,147</u>	<u>2,302,564</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,995,662</u>	<u>\$ 1,461,147</u>

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by Test-Rite’s board of directors on March 26, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies.

1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group’s financial assets and financial liabilities as at January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 1,461,147	\$ 1,461,147	c)
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	75,744	50,349	a)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	237,683	237,683	b)
Notes receivable, trade receivables, other receivables, other current financial assets and refundable deposits	Loans and receivables	Amortized cost	4,225,245	4,225,245	c)

Financial Liabilities	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Short-term borrowings, short-term bills payable, notes payable, trade payables, other payables, current portion of long-term borrowings and bonds payable, long-term borrowings and guarantee deposits received	Amortized cost	Amortized cost	\$ 14,193,259	\$ 14,193,259	-

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018		Reclassifications		Remeasurements		IFRS 9 Carrying Amount as of January 1, 2018		Retained Earnings Effect on January 1, 2018		Other Equity Effect on January 1, 2018		Remark
	IAS 39	Reclassifications	Remeasurements	IFRS 9	Retained Earnings	Other Equity							
FVTOCI - equity instruments	\$ -	\$ 75,744	\$ (25,395)	\$ 50,349	\$ -	\$ (25,395)	a)						
Add: Reclassification from available-for-sale (IAS 39)	75,744	(75,744)	-	-	-	-	a)						
	<u>\$ 75,744</u>	<u>\$ -</u>	<u>\$ (25,395)</u>	<u>\$ 50,349</u>	<u>\$ -</u>	<u>\$ (25,395)</u>							

- a) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of \$25,395 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.
- b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- c) Cash and cash equivalents, notes receivable, trade receivables, other receivables, other financial assets and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

If the customer has retained a portion of payment to the Group in accordance with the terms of the contract in order to protect the customer from the contractor’s possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Prior to the application of IFRS 15, retention receivables under construction contracts were recognized as receivables and discounted to reflect the time value of money in accordance with IAS 39.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, the net effect of the progress billings, the costs incurred and the recognized profit (loss) of construction contracts were recognized as amounts due from (to) customers for construction contracts under IAS 11. Receivables and deferred revenue were recognized or the advance receipts decreased when revenue was recognized for the relevant contract under IAS 18.

For a sale with a right of return, the Group recognizes a refund liability (i.e. other current liabilities) and a right to recover a product (i.e. other current assets) when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Inventories	\$ 6,043,748	\$ (126,209)	\$ 5,917,539
Trade receivables	2,977,355	(10,384)	2,966,971
Contract assets - current	-	136,593	136,593
Other current assets	<u>1,061</u>	<u>35,833</u>	<u>36,894</u>
Total effect on assets	<u>\$ 9,022,164</u>	<u>\$ 35,833</u>	<u>\$ 9,057,997</u>
Trade payables	\$ 5,516,821	\$ (5,250)	\$ 5,511,571
Other payables	1,427,836	(45,851)	1,381,985
Advance receipts	562,283	(84,822)	477,461
Contract liabilities - current	-	90,072	90,072
Other current liabilities	<u>31,327</u>	<u>81,684</u>	<u>113,011</u>
Total effect on liabilities	<u>\$ 7,538,267</u>	<u>\$ 35,833</u>	<u>\$ 7,574,100</u>

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

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

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease” and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Lease receivables - current	\$ -	\$ 6,357	\$ 6,357
Lease receivables - non-current	-	111,484	111,484
Prepayments for leases - current	19,134	(19,134)	-
Prepayments for leases - non-current	185,568	(185,568)	-
Property, plant and equipment	6,886,512	(517,297)	6,369,215
Right-of-use assets	<u>-</u>	<u>11,470,214</u>	<u>11,470,214</u>
Total effect on assets	<u>\$ 7,091,214</u>	<u>\$ 10,866,056</u>	<u>\$ 17,957,270</u>
Lease liabilities - current	\$ -	\$ 1,774,985	\$ 1,774,985
Lease liabilities - non-current	<u>-</u>	<u>9,077,159</u>	<u>9,077,159</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 10,852,144</u>	<u>\$ 10,852,144</u>
Retained earnings	\$ 1,832,432	\$ 13,300	\$ 1,845,732
Non-controlling interests	<u>75,629</u>	<u>612</u>	<u>76,241</u>
Total effect on equity	<u>\$ 1,908,061</u>	<u>\$ 13,912</u>	<u>\$ 1,921,973</u>

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

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

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

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

See Note 14 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Business Combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Foreign Currencies

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

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

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

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

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

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

Inventories

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

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

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

Property, Plant and Equipment

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

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

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

Goodwill

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

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

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

Intangible Assets

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

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

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

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost.

c) Loans and receivables

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

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

2) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

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

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

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

3) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Financial liabilities

1) Subsequent measurement

Except financial liabilities at FVTPL, all the financial liabilities are measured at amortized cost using the effective interest method.

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Provisions

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

Revenue Recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of furniture and various home appliances. Sales of furniture and various home appliances are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

Under Customer Loyalty Program, the Group offers vouchers which can be used for future purchases when the customers purchased the products. The voucher provides a material right to the customer. The transaction price allocated to the voucher is recognized as a contract liability when collected and will be recognized as revenue when the voucher is redeemed or has expired.

b. Revenue from the rendering of services

Service income is recognized when services are provided.

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

c. Construction contract revenue

Revenue from the construction in progress is recognized with reference to the stage of completion of the contract. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred for which recovery is probable.

2017

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

a. Revenue from the sale of goods

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

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

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

b. Revenue from the rendering of services

Service income is recognized when services are provided.

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

c. Dividend and interest income

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

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

Leasing

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

a. The Group as lessor

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

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 111,466	\$ 47,682
Checking accounts and demand deposits	1,815,736	1,377,522
Cash equivalents	<u>68,460</u>	<u>35,943</u>
	<u>\$ 1,995,662</u>	<u>\$ 1,461,147</u>

The time deposits with original maturities of more than 3 months were \$74,801 thousand as of December 31, 2018 and reclassified to financial assets at amortized cost (see Note 8).

The time deposits with original maturities of more than 3 months were \$237,683 thousand as of December 31, 2017 and reclassified to debt investments with no active market (see Note 9).

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

	December 31	
	2018	2017
Time deposits	<u>\$ 215,980</u>	<u>\$ 5,000</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
Financial assets held for trading - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 32,757	\$ 32,003
Non-derivative financial assets		
Equity securities listed in open market	16,420	34,132
Mutual funds	73,085	42,092
Corporate bonds	8,240	33,357
Financial products	<u>172,629</u>	<u>488,557</u>
	<u>\$ 303,131</u>	<u>\$ 630,141</u>
Financial liabilities held for trading - current		
Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ 16,017</u>	<u>\$ 40,159</u>

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

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2018</u>			
Forward exchange contracts - sell	US\$/NT\$	2019.01.02-2019.02.25	US\$101,000/NT\$3,104,033
Forward exchange contracts - buy	US\$/NT\$	2019.01.02-2019.02.26	US\$148,000/NT\$4,548,484
Forward exchange contracts - sell	EUR/US\$	2019.01.10	EUR100/US\$114
Forward exchange contracts - buy	EUR/US\$	2019.02.12-2019.12.30	US\$16,903/EUR13,695
Forward exchange contracts - sell	US\$/EUR	2019.01.30-2019.12.12	US\$1,387/EUR1,160
Forward exchange contracts - sell	AUD/EUR	2019.01.03-2019.01.13	AUD508/EUR311
<u>December 31, 2017</u>			
Forward exchange contracts - sell	US\$/NT\$	2018.01.02-2018.07.24	US\$241,000/NT\$7,193,368
Forward exchange contracts - buy	US\$/NT\$	2018.01.02-2018.08.14	US\$293,000/NT\$8,745,464
Forward exchange contracts - sell	EUR/US\$	2018.02.02	EUR100/US\$120
Forward exchange contracts - buy	EUR/US\$	2017.03.16-2018.07.13	US\$16,972/EUR15,165
Forward exchange contracts - sell	US\$/EUR	2018.01.18-2018.08.13	US\$703/EUR604
Forward exchange contracts - sell	AUD/EUR	2018.09.03	AUD113/EUR73

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

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Time deposits with original maturity of more than 3 months (Note 6) \$ 30,810

Non-current

Time deposits with original maturity of more than 3 months (Note 6) \$ 43,991

As of December 31, 2018, financial assets at amortized cost of \$20,660 thousand were pledged as collateral for borrowings and for retail channels (see Note 33)

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

**December 31,
2017**

Current

Time deposits with original maturity of more than 3 months (Note 6) \$ 2,222

Non-current

Time deposits with original maturity of more than 12 months (Note 6) \$ 235,461

As of December 31, 2017, debt investments with no active market - current of \$105,671 thousand were pledged as collateral for borrowings and for retail channels (see Note 33).

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 64,925	\$ 46,054
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>64,925</u>	<u>46,054</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	4,157,413	3,028,546
Less: Allowance for impairment loss	<u>(43,704)</u>	<u>(51,191)</u>
	4,113,709	2,977,355
Financial assets at FVTOCI	<u>371,711</u>	<u>-</u>
	<u>4,485,420</u>	<u>2,977,355</u>
	<u>\$ 4,550,345</u>	<u>\$ 3,023,409</u>

2018

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the expected credit losses is based on past due status of trade receivables.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's estimation by reference to past default experience of the debtor and an analysis of the debtor's current financial position.

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 365 Days	Over 365 Days	Total
Expected credit loss rate	-	-	-	-	95%-100%	-
Gross carrying amount	\$ 4,003,582	\$ 385,772	\$ 35,891	\$ 57,680	\$ 46,199	\$ 4,529,124
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,704)</u>	<u>(43,704)</u>
Amortized cost	<u>\$ 4,003,582</u>	<u>\$ 385,772</u>	<u>\$ 35,891</u>	<u>\$ 57,680</u>	<u>\$ 2,495</u>	<u>\$ 4,485,420</u>

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ 51,191
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	51,191
Add: Net remeasurement of loss allowance	5,238
Less: Written off	(13,076)
Foreign exchange gains and losses	<u>351</u>
Balance at December 31, 2018	<u>\$ 43,704</u>

The trade receivables factoring are summarized as follows:

(Unit: US\$ in Dollars; NT\$ in Thousands)									
Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
<u>2018</u>									
Standard Chartered	\$ -	\$ 2,116,262	\$ 2,114,977	\$ 1,285	\$ -	-	\$ -	US\$40,200,000	-
KGI Bank	\$ 3,988 (Note 1)	\$ 11,784 (Note 2)	\$ 14,488 (Note 3)	\$ 1,284 (Note 4)	\$ -	-	\$ -	US\$ 300,000	-

Test-Rite concluded an accounts receivable factoring agreement with Standard Chartered. The agreement declared that the bank has no right of further recourse against Test-Rite. According to the agreement, Test-Rite only has to be responsible for loss that resulted from business disputes.

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

Note 1: US\$129,754.

Note 2: US\$68,859,612; US\$383,445; shown respectively from top to bottom of column.

Note 3: US\$68,817,803; US\$471,414; shown respectively from top to bottom of column.

Note 4: US\$41,809; US\$41,785; shown respectively from top to bottom of column.

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

2017

The Group applied the same credit policy in 2018 and 2017. The Group considered any change in credit quality from original credit dates to the balance dates in determination the recoverable amount. Allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the aging of receivables, past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2017
Not due	\$ 2,777,422
Up to 30 days	73,839
31-60 days	45,707
61-365 days	69,224
More than 365 days	<u>62,354</u>
	<u>\$ 3,028,546</u>

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

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

	December 31, 2017
Up to 30 days	\$ 73,810
31-60 days	45,692
More than 60 days	<u>19,009</u>
	<u>\$ 138,511</u>

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 32,005	\$ 30,640	\$ 62,645
Add: Impairment losses (reversed) recognized on receivables	(8,521)	4,919	(3,602)
Less: Amounts written off during the year as uncollectable	(6,635)	(10)	(6,645)
Foreign exchange differences	<u>(1,209)</u>	<u>2</u>	<u>(1,207)</u>
Balance at December 31, 2017	<u>\$ 15,640</u>	<u>\$ 35,551</u>	<u>\$ 51,191</u>

The trade receivables factoring are summarized as follows:

(Unit: US\$ in Dollars; NT\$ in Thousands)									
Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
<u>2017</u>									
Standard Chartered	\$ _____	\$ <u>429,810</u> (Note 1)	\$ <u>429,810</u> (Note 2)	\$ _____	\$ _____	-	\$ _____	US\$40,200,000	-
KGI Bank	\$ _____	\$ <u>15,683</u> (Note 1)	\$ <u>11,810</u> (Note 2)	\$ <u>3,873</u> (Note 3)	\$ _____	-	\$ _____	US\$ 500,000	-

Test-Rite concluded an accounts receivable factoring agreement with Standard Chartered. The agreement declared that the bank has no right of further recourse against Test-Rite. According to the agreement, Test-Rite only has to be responsible for loss that resulted from business disputes.

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

Note 1: US\$14,399,964; US\$525,436; shown respectively from top to bottom of column.

Note 2: US\$14,399,964; US\$395,682; shown respectively from top to bottom of column.

Note 3: US\$129,754.

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

11. INVENTORIES

	December 31	
	2018	2017
Merchandise - retail	\$ 3,856,010	\$ 3,865,292
Merchandise - trade	1,804,123	1,927,098
Construction land	119,469	125,149
Construction in progress	<u>-</u>	<u>126,209</u>
	<u>\$ 5,779,602</u>	<u>\$ 6,043,748</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was \$27,127,393 thousand and \$24,168,224 thousand, respectively.

The operating costs include reversals of inventory write-downs in the amount \$13,547 thousand and a loss on physical inventory count in the amount of \$41,656 thousand for the year ended December 31, 2018. The operating costs include reversals of inventory write-downs in the amount of \$31,301 thousand and a loss on physical inventory count in the amount of \$51,798 thousand for the year ended December 31, 2017. Previous write-downs have been reversed according to the result of inventory sale.

Construction in progress as of December 31, 2017 consisted the construction costs incurred and not yet completed; those construction costs recognized in the contract assets in accordance with IFRS 15.

Merchandise - retail includes the balance of inventories of Test-Rite Retailing Co., Ltd., Test-Rite Retail, Test-Rite Home Service, Chung Cin Enterprise, Testrite Brand Agency and Test-Rite C&B and U-ME Enterprise Co., Ltd.

Merchandise - trade includes the balance of inventories of Test-Rite, Test-Rite Pte Ltd., Test-Rite Development GmbH, Test-Rite International (U.S.) Co., Ltd. and Test Cin M&E Engineering and Hand-on Lighting Co., Ltd.

Construction land includes the balance of inventories of Chung Cin Enterprise.

Construction in progress includes the balance of inventories of Chung Cin Enterprise, Tony Construction, Chung Cin Interior Design Construction.

12. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
<u>Non-current</u>	
Investments in equity instruments at FVTOCI	<u>\$ 49,213</u>
<u>Non-current</u>	
Domestic investments- unlisted shares	
Grand Cathay Venture Capital II Co., Ltd.	\$ 46,518
Taiwan Finance Corporation	<u>2,695</u>
	<u>\$ 49,213</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 13 for information relating to their reclassification and comparative information for 2017.

13. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Domestic investments	
Domestic unlisted common shares	\$ 42,120
Foreign investments	
Overseas unlisted common shares	<u>33,624</u>
	<u>\$ 75,744</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 75,744</u>

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

14. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Subsidiaries	Main Businesses	% of Ownership December 31		Remark
			2018	2017	
Test-Rite International Co., Ltd.	Fortune Miles Trading Inc.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Star Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite International Investment Co., Ltd.	Investment in various industries	-	100.00	Note 1
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Products (Hong Kong) Limited.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l. (Australia) Pty. Limited.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l. (Canada) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite (UK) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Development GMBH	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Upmaster International Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite International (U.S.) Co., Ltd. and Upmaster Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Viet Nam Co., Ltd.	Importation and exportation	95.00	95.00	Note 2
Test-Rite International Co., Ltd.	Lih Chiou Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Lih Teh International Co., Ltd.	Logistics services	100.00	100.00	
Test-Rite International Co., Ltd.	B&S Link Co., Ltd.	Providing information software and electronic information	100.00	100.00	
Test-Rite International Co., Ltd.	Fusion International Distribution, Inc.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Chung Cin Enterprise Co., Ltd.	Authorized builder to build dwelling, rental and sale of building	95.60	95.60	
Test-Rite International Co., Ltd. and Lih Chiou Co., Ltd.	Test-Rite Retail Co., Ltd.	Sale of house decoration hardware and construction materials	100.00	100.00	
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	100.00	

(Continued)

Investor	Subsidiaries	Main Businesses	% of Ownership		Remark
			2018	2017	
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	U-ME Enterprise Co., Ltd.	Cleaning service and land scape design	60.00	-	Note 3
Chung Cin Enterprise Co., Ltd.	Hand-on Lighting Co., Ltd.	Sale of electrical appliances	51.00	-	Note 4
Chung Cin Enterprise Co., Ltd.	Test Cin International Co., Ltd.	Sale of construction material	51.00	-	Note 5
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	
Test-Rite Retail	Hola Homefurnishings Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Testrite Brand Agency Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Test-Rite C&B Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
B&S Link Co., Ltd.	Home Intelligence Co., Ltd.	Other information provision services	100.00	100.00	
(Concluded)					

(Concluded)

- Note 1: Test Rite International Investment Co., Ltd. had completed the liquidation in October 2018.
- Note 2: Test-Rite Vietnam Co., Ltd. resolved to dissolve in September 2015 but has yet to be liquidated.
- Note 3: Chung Cin Enterprise Co., Ltd. acquired a 60% interest in U-ME Enterprise Co., Ltd in January 2018.
- Note4: Chung Cin Enterprise Co., Ltd. acquired a 51% interest in Hand-on Lighting Co., Ltd. in September, 2018 (formerly known as Hand-on Lighting Ltd. and renamed itself since December 2018).
- Note5: Test Cin International Co., Ltd. was established and issued \$10,000 thousand ordinary shares in November 2018, and Chung Cin Enterprise Co., Ltd. holds a 51% interest in it.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2018	2017
Land	\$ 545,512	\$ 545,512
Buildings and improvements	3,496,331	1,850,368
Machinery and equipment	5,250	2,363
Transportation equipment	12,954	14,910
Furniture, fixtures and office equipment	117,459	127,751
Leasehold improvements	2,511,210	2,844,260
Molds and tools	19,296	19,637
Other equipment	145,486	175,461
Prepayments for property, plant and equipment	33,014	38,097
	<u>\$ 6,886,512</u>	<u>\$ 5,618,359</u>

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
<u>Cost</u>										
Balance at January 1, 2017	\$ 545,512	\$ 2,786,497	\$ 94,182	\$ 63,631	\$ 834,498	\$ 8,717,087	\$ 15,469	\$ 789,561	\$ 152,035	\$13,998,472
Additions	-	19,358	2,800	2,413	14,231	31,775	8,340	7,890	137,808	224,615
Disposals	-	(105,665)	(2,731)	(7,423)	(34,623)	(74,215)	(1,123)	(54,298)	(6,494)	(286,572)
Reclassified	-	(140,447)	(64,552)	2,244	25,350	(44,887)	21,847	168,328	(245,183)	(277,300)
Effect of foreign currency exchange differences	-	(18,320)	(2,948)	(717)	(4,644)	(36,984)	(404)	(3,352)	(69)	(67,438)
Balance at December 31, 2017	<u>\$ 545,512</u>	<u>\$ 2,541,423</u>	<u>\$ 26,751</u>	<u>\$ 60,148</u>	<u>\$ 834,812</u>	<u>\$ 8,592,776</u>	<u>\$ 44,129</u>	<u>\$ 908,129</u>	<u>\$ 38,097</u>	<u>\$13,591,777</u>
<u>Accumulated depreciation and impairment</u>										
Balance at January 1, 2017	\$ -	\$ 746,355	\$ 59,130	\$ 46,153	\$ 681,500	\$ 5,646,906	\$ 7,492	\$ 639,024	\$ -	\$ 7,826,560
Depreciation expense	-	106,992	4,182	5,241	40,488	375,867	4,030	84,381	-	621,181
Disposals	-	(50,006)	(1,438)	(6,247)	(31,199)	(69,440)	(1,041)	(52,966)	-	(212,337)
Reclassified	-	(99,941)	(35,305)	732	19,238	(416,840)	14,311	65,023	-	(452,782)
Effect of foreign currency exchange differences	-	(12,345)	(2,181)	(641)	(2,966)	212,023	(300)	(2,794)	-	190,796
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 691,055</u>	<u>\$ 24,388</u>	<u>\$ 45,238</u>	<u>\$ 707,061</u>	<u>\$ 5,748,516</u>	<u>\$ 24,492</u>	<u>\$ 732,668</u>	<u>\$ -</u>	<u>\$ 7,973,418</u>
Carrying amounts at December 31, 2017	<u>\$ 545,512</u>	<u>\$ 1,850,368</u>	<u>\$ 2,363</u>	<u>\$ 14,910</u>	<u>\$ 127,751</u>	<u>\$ 2,844,260</u>	<u>\$ 19,637</u>	<u>\$ 175,461</u>	<u>\$ 38,097</u>	<u>\$ 5,618,359</u>
<u>Cost</u>										
Balance at January 1, 2018	\$ 545,512	\$ 2,541,423	\$ 26,751	\$ 60,148	\$ 834,812	\$ 8,592,776	\$ 44,129	\$ 908,129	\$ 38,097	\$13,591,777
Additions	-	1,773,458	-	4,616	34,563	10,960	4,879	14,706	272,895	2,116,077
Disposals	-	(5,973)	(37,384)	(4,907)	(61,097)	(623,394)	(4,276)	(99,873)	-	(836,904)
Reclassified	-	-	-	104	2,822	129,912	5,635	11,441	(269,740)	(119,826)
Effect of foreign currency exchange differences	-	(35,962)	38,747	(1,175)	3,198	(10,233)	(2,496)	(29,489)	(8,238)	(45,648)
Balance at December 31, 2018	<u>\$ 545,512</u>	<u>\$ 4,272,946</u>	<u>\$ 28,114</u>	<u>\$ 58,786</u>	<u>\$ 814,298</u>	<u>\$ 8,100,021</u>	<u>\$ 47,871</u>	<u>\$ 804,914</u>	<u>\$ 33,014</u>	<u>\$14,705,476</u>
<u>Accumulated depreciation and impairment</u>										
Balance at January 1, 2018	\$ -	\$ 691,055	\$ 24,388	\$ 45,238	\$ 707,061	\$ 5,748,516	\$ 24,492	\$ 732,668	\$ -	\$ 7,973,418
Depreciation expense	-	89,871	1,033	6,762	45,122	403,605	7,520	57,426	-	611,339
Disposals	-	(5,973)	(32,009)	(4,810)	(53,791)	(547,291)	(3,824)	(95,397)	-	(743,095)
Reclassified	-	-	2,648	(378)	(1,173)	2,908	-	(14,101)	-	(10,096)
Effect of foreign currency exchange differences	-	1,662	26,804	(980)	(379)	(18,927)	387	(21,169)	-	(12,602)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 776,615</u>	<u>\$ 22,864</u>	<u>\$ 45,832</u>	<u>\$ 696,840</u>	<u>\$ 5,588,811</u>	<u>\$ 28,575</u>	<u>\$ 659,427</u>	<u>\$ -</u>	<u>\$ 7,818,964</u>
Carrying amounts at December 31, 2018	<u>\$ 545,512</u>	<u>\$ 3,496,331</u>	<u>\$ 5,250</u>	<u>\$ 12,954</u>	<u>\$ 117,458</u>	<u>\$ 2,511,210</u>	<u>\$ 19,296</u>	<u>\$ 145,487</u>	<u>\$ 33,014</u>	<u>\$ 6,886,512</u>

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

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

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. Under IFRSs, if the sale price is fair value, the sale and leaseback should be recognized immediately to the profit or loss; sale price is higher than the fair value should be deferred and expect to be amortized over lease term. For the years ended December 31, 2017, the amortization of unrealized gain was \$50,000 thousand, which was treated as a reduction of rental cost. On December 26, 2017, the unrealized gain was amortized completely.

In October 2017, Test-Rite Business Development Co., Ltd. sold buildings and improvements in Futan District, Shenzhen to non-related parties, and the net gain on disposal of the property was \$234,891 thousand. The selling price was determined based on a professional appraisal report.

In March 2018, Test-Rite Business Development Co., Ltd. signed a purchase agreement with non-related parties to acquire buildings and improvements. The amount of the acquisition was \$1,797,981 thousand. The purchase price was determined based on a professional appraisal report.

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	\$ 15,683	\$ -
Capitalization rate	3.1233%-5.39%	-

Property, plant and equipment pledged as collateral for bank borrowings is set out in Notes 18 and 33.

16. GOODWILL

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 2,336,399	\$ 2,335,902
Additional amounts recognized from business combinations occurring during the year (Note 26)	50,400	-
Impairment losses recognized	(24,156)	-
Effect of foreign currency exchange differences	<u>(1,445)</u>	<u>497</u>
Balance at December 31	<u>\$ 2,361,198</u>	<u>\$ 2,336,399</u>

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

	December 31	
	2018	2017
Retail	\$ 2,092,938	\$ 2,116,399
Trading	198,467	200,607
Others	<u>69,793</u>	<u>19,393</u>
	<u>\$ 2,361,198</u>	<u>\$ 2,336,399</u>

For the years ended December 31, 2018 and 2017, the Group evaluated the recoverable amounts of the above three cash-generating units, and the recoverable amounts were determined based on the value in use. The calculation of value in use was based on the cash flow projections in the financial budgets approved by management covering a 5-year period, and the growth rate used in preparing the budgets was based on the prediction of related industries. The Group recognized the impairment loss \$27,126 for the year ended December 31, 2018, mainly due to part of the retail stores in China with lower-than-expected performances.

17. OTHER INTANGIBLE ASSETS

	December 31	
	2018	2017
Computer software	\$ 163,068	\$ 159,317
Others	<u>66,917</u>	<u>75,391</u>
	<u>\$ 229,985</u>	<u>\$ 234,708</u>

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 620,684	\$ 102,900	\$ 723,584
Additions	10,971	2,756	13,727
Disposals	(42,041)	(532)	(42,573)
Reclassified	70,874	(5,576)	65,298
Foreign exchange translation differences	<u>(3,538)</u>	<u>3,808</u>	<u>270</u>
Balance at December 31, 2017	<u>\$ 656,950</u>	<u>\$ 103,356</u>	<u>\$ 760,306</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2017	\$ 463,341	\$ 24,188	\$ 487,529
Amortization expense	121,822	8,994	130,816
Disposals	(42,041)	(532)	(42,573)
Reclassified	(52,755)	(5,576)	(58,331)
Foreign exchange translation differences	<u>7,266</u>	<u>891</u>	<u>8,157</u>
Balance at December 31, 2017	<u>\$ 497,633</u>	<u>\$ 27,965</u>	<u>\$ 525,598</u>
Carrying amounts at December 31, 2017	<u>\$ 159,317</u>	<u>\$ 75,391</u>	<u>\$ 234,708</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 656,950	\$ 103,356	\$ 760,306
Additions	76,408	1,450	77,858
Disposals	(187,825)	(3,295)	(191,120)
Reclassified	(60,974)	(1,324)	(62,298)
Foreign exchange translation differences	<u>296</u>	<u>(1,256)</u>	<u>(960)</u>
Balance at December 31, 2018	<u>\$ 484,855</u>	<u>\$ 98,931</u>	<u>\$ 583,786</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ 497,633	\$ 27,965	\$ 525,598
Amortization expense	94,756	18,245	113,001
Disposals	(187,825)	(3,295)	(191,120)
Reclassified	(83,184)	(10,479)	(93,663)
Foreign exchange translation differences	<u>407</u>	<u>(422)</u>	<u>(15)</u>
Balance at December 31, 2018	<u>\$ 321,787</u>	<u>\$ 32,014</u>	<u>\$ 353,801</u>
Carrying amounts at December 31, 2018	<u>\$ 163,068</u>	<u>\$ 66,917</u>	<u>\$ 229,985</u>
Other intangible assets are depreciated on a straight-line basis over the estimated useful lives as follows:			
Computer software			3-5 years
Customer relationship			7-15 years
Business strife limitation			3 years
Outstanding service contracts			1.5years

18. BORROWINGS

	December 31	
	2018	2017
Short-term borrowings	\$ 2,146,783	\$ 1,211,838
Short-term bills payable	\$ 99,966	\$ 79,992
Current portion of long-term borrowings	\$ 1,073,571	\$ 1,225,000
Long-term borrowings	\$ 6,094,520	\$ 4,491,928

a. Short-term borrowings as of December 31, 2018 and 2017 were as follows:

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 2,146,783	\$ 1,211,838

The range of weighted average effective interest rate on bank loans was 0.92%-4.75% and 0.92%-4.0% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	\$ 100,000	\$ 80,000
Less: Unamortized discount on bills payable	(34)	(8)
	\$ 99,966	\$ 79,992

c. Long-term borrowings

	December 31		
	2018		2017
	Interest Rate	Amount	Amount
First Commercial Bank’s syndicated loan			
Unsecured loan from June 24, 2015 to June 24, 2020. Authorized credit line of \$1,500 million.	1.7895%	\$ 675,000	\$ 1,050,000
Unsecured loan from June 17, 2015 to June 17, 2020. Authorized credit line of \$4,480 million. Principal due on June 17, 2020.	1.7895%-4.26%	2,113,718	1,014,832
First Commercial Bank and Taiwan Business Bank’s syndicated loan			
Unsecured loan from July 16, 2012 to July 16, 2019. Authorized credit line of US\$29,000 thousand. On July 16, 2018, the Company paid the principal in full in advance and canceled the credit line.	-	-	656,656

(Continued)

	December 31		
	2018		2017
	Interest Rate	Amount	Amount
First Commercial Bank			
Unsecured loan from June 27, 2017 to September 26, 2020. Authorized credit line of \$500 million. Principal due on September 26, 2020.	1.50%	\$ 350,000	\$ 500,000
Chang Hwa Bank			
Unsecured loan from September 28, 2018 to September 28, 2021. Authorized credit line of \$300 million. Principal due on September 28, 2021.	1.59%	300,000	-
Unsecured loan from September 30, 2016 to September 30, 2019. Authorized credit line of \$200 million. On September 12, 2018, the Company paid the principal in full in advance.	-	-	200,000
Taishin International Bank			
Unsecured loan from August 1, 2018 to August 1, 2020. Authorized credit line of \$300 million. Principal due on August 1, 2020.	1.40%	300,000	-
Unsecured loan from November 10, 2017 to February 8, 2018. Authorized credit line of \$300 million. Authorized period from May 18, 2015 to May 31, 2018. Principal due on February 8, 2018.	-	-	300,000
Unsecured loan from December 21, 2017 to December 21, 2019. Authorized credit line of \$700 million. On January 19, 2018, the Company paid the principal in full in advance.	-	-	283,556
KGI Bank			
Unsecured loan from December 10, 2018 to December 10, 2020. Authorized credit line of \$300 million. Principal due on December 10, 2020.	3.5724%	276,597	-
Unsecured loan from December 10, 2018 to December 10, 2020. Authorized credit line of US\$8,000 thousand. Principal due on December 10, 2020..	3.4401%	245,864	149,240
Unsecured loan from March 27, 2017 to March 27, 2019. Authorized credit line of \$300 million. On January 12, 2018, the Company paid the principal in full in advance.	-	-	283,556
Taiwan Business Bank			
Unsecured loan from December 22, 2016 to December 22, 2019. Authorized credit line of \$600 million. Principal due on December 22, 2019.	1.601%	240,000	300,000

(Continued)

	December 31		
	2018		2017
	Interest Rate	Amount	Amount
O-Bank			
Secured loan from April 20, 2018 to April 19, 2023. Authorized credit line of US\$20 million. Principal due in installments according to the bank's contracts. The property, plant and equipment of Test-Rite Business Development Co., Ltd. were pledged as collateral (see Notes 15 and 32).	3.70%	\$ 614,660	\$ -
Unsecured loan from March 14, 2018 to March 13, 2021. Authorized credit line of \$400 million. Principal due on March 13, 2021.	1.5486%	200,000	-
Unsecured loan from December 20, 2017 to June 15, 2018. Authorized credit line of \$200 million. Principal due on June 15, 2018.	-	-	200,000
Cathay United Bank			
Unsecured loan from December 13, 2018 to January 22, 2019. Authorized credit line of \$200 million. Authorized period from October 24, 2018 to October 24, 2020. Principal due on October 24, 2020.	1.4%	200,000	-
Unsecured loan from December 21, 2017 to March 21, 2018. Authorized credit line of \$200 million. Authorized period from September 29, 2018 to September 13, 2019. Principal due on September 13, 2019.	-	-	200,000
Hua Nan Bank			
Unsecured loan from December 27, 2018 to December 25, 2020. Authorized credit line of \$300 million. Principal due on December 25, 2020.	1.5167%	300,000	-
Unsecured loan from April 28, 2017 to April 28, 2019. Authorized credit line of \$300 million. Principal due on April 28, 2019.	-	-	200,000
E.SUN Bank			
Unsecured loan from December 20, 2017 to December 20, 2019. Authorized credit line of US\$6 thousand. Principal due on December 20, 2019.	3.3610%	184,398	-
Unsecured loan from December 20, 2017 to December 20, 2019. Authorized credit line of US\$6,000 thousand. On January 12, 2018, the Company paid the principal in full in advance.	-	-	119,392

(Continued)

	December 31		
	2018		2017
	Interest Rate	Amount	Amount
SinoPac Bank			
Unsecured loan from December 19, 2018 to December 19, 2020. Authorized credit line of US\$30 million. Principal due on December 19, 2020.	3.5201%- 3.5412%	\$ 860,524	\$ -
Unsecured loan from December 19, 2018 to December 19, 2020. Authorized credit line of US\$10 thousand. Principal due on December 19, 2020.	4.05%	307,330	-
Unsecured loan from December 28, 2017 to December 28, 2019. Authorized credit line of US\$30,000 thousand. On January 26, 2018, the Company paid the principal in full in advance.	-	-	59,696
Jih Sun Bank			
Unsecured loan from December 21, 2017 to April 27, 2019. Authorized credit line of US\$10,000 thousand. On January 23, 2018, the Company paid the principal in full in advance.	-	-	200,000
Less current portion		<u>(1,073,571)</u>	<u>(1,225,000)</u>
		<u>\$ 6,094,520</u>	<u>\$ 4,491,928</u> (Concluded)

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

1) First Commercial Bank Syndicated Loan

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

2) Taishin International Bank Loan

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

3) SinoPac Bank Loan

- For the Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of no more than 2 to 1.

- b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
 - c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.
 - d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
 - e) The calculations of the ratios are based on the parent company only financial statements of Test-Rite for each year ended December 31.
- 4) First Commercial Bank and Taiwan Business Bank's Syndicated Loan
- a) For the Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of no more than 2 to 1.
 - b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
 - c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.
 - d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
 - e) The calculations of the ratios are based on the parent company only financial statements of Test-Rite for each year ended December 31.
- 5) Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with O-Bank:
- a) For the Total Liabilities Ratio, Test-Rite Retail shall maintain a ratio of Total Liabilities to Total Assets of no more than 2 to 1.
 - b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
 - c) For the EBITDA Ratio, Test-Rite Retail shall maintain a ratio of EBITDA to Interest Expense of greater than 3 to 1.
 - d) The calculations of the ratios are based on the only financial statements of Test-Rite Retail for each year ended December 31.
- 6) Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with Taishin International Bank:
- a) For the Total Liabilities Ratio, Test-Rite Retail shall maintain a ratio of Total Liabilities to Total Assets of no more than 1 to 1.
 - b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
 - c) For the EBITDA Ratio, Test-Rite Retail shall maintain a ratio of EBITDA to Interest Expense of greater than 3 to 1.
 - d) The calculations of the ratios are based on the only financial statements of Test-Rite Retail for each year ended December 31.

19. PROVISIONS

	December 31	
	2018	2017
Employee benefits (included in other payables)	<u>\$ 7,136</u>	<u>\$ 12,711</u>

The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees.

20. OTHER PAYABLES

	December 31	
	2018	2017
Accrued expenses	\$ 1,199,967	\$ 1,031,859
Payable for purchase of equipment	94,598	23,664
Bonuses payable to employees	10,129	17,196
Bonuses payable to directors and supervisors	15,924	30,178
Allowance of sales returns and discounts	44,109	44,173
Payable for employee benefits	7,136	12,711
Others	<u>249,189</u>	<u>268,055</u>
	<u>\$ 1,621,052</u>	<u>\$ 1,427,836</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 452,651	\$ 428,447
Fair value of plan assets	<u>(343,821)</u>	<u>(300,009)</u>
	108,830	128,438
Defined benefit asset (included in other non-current assets)	<u>21,755</u>	<u>21,700</u>
Net defined benefit liability (included in net defined benefit liabilities - non-current)	<u>\$ 130,585</u>	<u>\$ 150,138</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	<u>\$ 452,039</u>	<u>\$ (317,413)</u>	<u>\$ 134,626</u>
Service cost			
Previous service cost	2,700	-	2,700
Current service cost	4,378	-	4,378
Net interest expense (income)	<u>6,090</u>	<u>(4,216)</u>	<u>1,874</u>
Recognized in profit or loss	<u>13,168</u>	<u>(4,216)</u>	<u>8,952</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(248)	(248)
Actuarial gain - changes in financial assumptions	(1,172)	-	(1,172)
Actuarial loss - experience adjustments	5,325	351	5,676
Actuarial loss - changes in demographic assumptions	<u>36,025</u>	<u>-</u>	<u>36,025</u>
Recognized in other comprehensive income	<u>40,178</u>	<u>103</u>	<u>40,281</u>
Contributions from the employer	-	(56,031)	(56,031)
Benefits paid	(78,684)	78,684	-
Others	<u>1,746</u>	<u>(1,136)</u>	<u>610</u>
Balance at December 31, 2017	<u>428,447</u>	<u>(300,009)</u>	<u>128,438</u>
Service cost			
Current service cost	2,599	-	2,599
Net interest expense	<u>5,942</u>	<u>(3,917)</u>	<u>2,025</u>
Recognized in profit or loss	<u>8,541</u>	<u>(3,917)</u>	<u>4,624</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$-	\$(7,618)	\$(7,618)
Actuarial loss - changes in financial assumptions	6,407	-	6,407
Actuarial loss - experience adjustments	(1,258)	380	(878)
Actuarial loss - changes in demographic assumptions	<u>28,310</u>	<u>-</u>	<u>28,310</u>
Recognized in other comprehensive income	<u>33,459</u>	<u>(7,238)</u>	<u>26,221</u>
Contributions from the employer	-	(38,659)	(38,659)
Benefits paid	(17,193)	6,130	(11,063)
Others	<u>(603)</u>	<u>(128)</u>	<u>(731)</u>
Balance at December 31, 2018	<u>\$452,651</u>	<u>\$(343,821)</u>	<u>\$108,830</u>

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Selling and marketing expenses	<u>\$ 4,624</u>	<u>\$ 8,952</u>

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

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

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

	December 31	
	2018	2017
Discount rate	1.00%-1.87%	1.20%-1.87%
Expected rate of salary increase	1.00%-3.00%	2.00%-3.00%

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

	December 31	
	2018	2017
Discount rate		
0.25%-0.5% increase	<u>\$ (13,441)</u>	<u>\$ (12,458)</u>
0.25%-0.5% decrease	<u>\$ 14,024</u>	<u>\$ 13,003</u>
Expected rate of salary increase		
0.25%-1% increase	<u>\$ 15,703</u>	<u>\$ 14,610</u>
0.25%-1% decrease	<u>\$ (14,841)</u>	<u>\$ (13,784)</u>

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	<u>\$ 11,190</u>	<u>\$ 11,918</u>
Average duration of the defined benefit obligation	10.80-17.80 years	11.00-19.00 years

22. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	750,000	750,000
Shares authorized	\$ 7,500,000	\$ 7,500,000
Number of shares issued and fully paid (in thousands)	509,888	509,888
Shares issued	\$ 5,098,875	\$ 5,098,875

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

As of December 31, 2018, Test-Rite’s outstanding share capital consists of \$5,098,875 thousand.

b. Capital surplus

	December 31	
	2018	2017
Additional paid-in capital - issuance of shares in excess of par	\$ 647,962	\$ 647,962

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors after the amendment, refer to employees’ compensation and remuneration of directors and supervisors in Note 29-2.

The dividends policy of Test-Rite is as follows:

The Company’s dividends policy shall consider the Company’s business diversification, capital needs for future operational plan, along with the shareholder’s benefits, and the Company’s long-term financial plans. The shareholder’s dividends are appropriated based on accumulated distributable earnings, which shall not be lower 50% of the distributable earnings for the periods and the cash dividends shall not be less than 10% of the shareholders dividend. However, if cash dividends per share are less than \$0.1, share dividends could be all distributed instead of cash dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2017 and 2016 approved in the shareholders’ meetings on June 19, 2018 and June 15, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 78,730	\$ 60,947	\$ -	\$ -
Special reserve	14,058	18,282	-	-

Cash dividends	611,865	525,184	1.20	1.03
----------------	---------	---------	------	------

The Company's shareholders also resolved to issue cash dividends from capital surplus of \$25,494 thousand in the shareholders' meeting on June 15, 2017.

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 40,649	\$ -
Special reserve	60,976	-
Cash dividends	356,921	0.7

The Company's board of directors had also proposed to issue cash dividends from capotal surplus of \$295,735 thousand on March 26, 2019.

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 20, 2019.

d. Others equity items

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

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

2) Unrealized gains (loss) on available-for-sale financial assets-2017

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

3) Unrealized gain (loss) on financial assets at FVTOCI -2018

Unrealized gain (loss) on financial assets at FVTOCI was accumulated gains and losses recognized in other comprehensive income when investments in equity instruments at FVTOCI were subsequently measured at fair value. Unrealized gain (loss) on financial assets at FVTOCI was not reclassified to other gains and losses when those financial instruments were disposed of.

23. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	\$ 37,457,384	\$ 34,708,068
Construction contract revenue	1,052,665	667,234
Rental income	611,214	609,046
Revenue from sales of real estate	110,867	-
Other operating revenue	<u>665,820</u>	<u>978,864</u>
	<u>\$ 39,897,950</u>	<u>\$ 36,963,212</u>

a. Contact balances

	December 31, 2018
Contract assets	
Properties construction	<u>\$ 204,203</u>

(Continued)

	December 31, 2018
Contract liabilities	
Properties construction	\$ 656
Customer loyalty programs	<u>65,160</u>
	<u>\$ 65,816</u>
	(Concluded)

b. Disaggregation of revenue

2018

	Reportable Segments			
	Retail	Trading	Construction	Total
Type of goods or services				
Sale of goods	\$ 18,629,850	\$ 18,720,559	\$ 106,975	\$ 37,457,384
Construction contracts	424,884	-	627,781	1,052,665
Rental income	403,389	3,943	203,882	611,214
Revenue from sales of real estate	-	-	110,867	110,867
Other operating revenue	<u>282,588</u>	<u>322,182</u>	<u>61,050</u>	<u>665,820</u>
	<u>\$ 19,740,711</u>	<u>\$ 19,046,684</u>	<u>\$ 1,110,555</u>	<u>\$ 39,897,950</u>

24. INCOME TAX

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	\$ 171,065	\$ 151,166
Income tax on unappropriated earnings	7,759	-
Unrecognized loss carryforwards	(3,269)	-
Adjustments for deferred tax assets	(122,080)	129,608
Adjustments for prior periods	<u>(9,915)</u>	<u>4,125</u>
	<u>43,560</u>	<u>284,899</u>
Deferred tax		
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(116,424)</u>	<u>-</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (72,864)</u>	<u>\$ 284,899</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 171,779	\$ 300,960
		(Continued)
	For the Year Ended December 31	
	2018	2017
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	\$ (714)	\$ (149,794)
Adjustments to deferred tax assets	(122,080)	129,608
Income tax on unappropriated earnings	7,759	-
Unrecognized loss carryforwards	(3,269)	-
Adjustments for prior periods	<u>(9,915)</u>	<u>4,125</u>
	<u>43,560</u>	<u>284,899</u>

Effect of tax rate changes	<u>(116,424)</u>	<u>-</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (72,864)</u>	<u>\$ 284,899</u> (Concluded)

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

c. Income tax assessments

The income tax returns of Test-Rite for years through 2016 have been examined and approved by the tax authority.

25. EARNINGS PER SHARE

For the years ended December 31, 2018 and 2017, the amounts of earnings per share were calculated as follows:

	2018		
	Amounts (Numerator)		EPS (NT\$)
	Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	Parent Co. Shareholders Income After Tax
Basic earnings per share			
Net income to shareholders of common shares	\$ 406,493	509,888	<u>\$ 0.80</u>
The effects of dilutive potential common shares			
Compensation to employees	<u>-</u>	<u>189</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 406,493</u>	<u>510,077</u>	<u>\$ 0.80</u>
2017			
	Amounts (Numerator)		EPS (NT\$)
	Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	Parent Co. Shareholders Income After Tax
Basic earnings per share			
Net income to shareholders of common shares	\$823,012	509,888	<u>\$1.61</u>
The effects of dilutive potential common shares			
Compensation to employees	<u>-</u>	<u>439</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$823,012</u>	<u>510,327</u>	<u>\$1.61</u>

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

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
U-ME Enterprise Co., Ltd.	Cleaning service	January 1, 2018	60	<u>\$ 65,000</u>
Hand-On Lighting Co., Ltd.	Sale of electrical appliances	September 3, 2018	51	<u>\$ 5,253</u>

On January 1, 2018, the Group acquired a 60% interest of U-ME Enterprise Co., Ltd., via cash of \$65,000 thousand through a third party in order to continue the expansion of the Group’s business.

On September 3, 2018, the Group acquired a 51% interest of Hand-On Lighting Co., Ltd., via cash of \$5,253 thousand through a third party in order to continue the expansion of the Group’s business.

b. Consideration transferred

	U-ME Enterprise Co., Ltd.	Hand-On Lighting Co., Ltd.
Cash	<u>\$ 65,000</u>	<u>\$ 5,253</u>

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

	U-ME Enterprise Co., Ltd.	Hand-On Lighting Co., Ltd.
Current assets		
Cash and cash equivalents	\$ 834	\$ 8,671
Accounts receivable	9,986	9,613
Inventories	4,632	985
Prepayments	10	2,047
Non-current assets		
Property, plant and equipment	6,648	620
Refundable deposits	1,488	-
Other intangible assets	5,600	-
Goodwill	50,400	-
Other non-current assets	-	4
Current liabilities		
Notes payable	(1,483)	(857)
Accounts payable	-	(3,869)
Current tax liabilities	(144)	(22)
Other payables	(929)	(6,603)
Other current liabilities	-	(5)
Long-term borrowings	<u>(6,042)</u>	<u>-</u>
	<u>\$ 71,000</u>	<u>\$ 10,584</u>

d. Non-controlling interests

The non-controlling interest (a 40% ownership interest in U-ME Enterprise Co., Ltd.) recognized at the acquisition date was measured by reference to the net assets of the non-controlling interest with the amount of \$6,000 thousand.

The non-controlling interest (a 49% ownership interest in Hand-On Lighting Co., Ltd.) recognized at the acquisition date was measured by reference to the net assets of the non-controlling interest with the amount of \$5,331 thousand.

e. Goodwill recognized on acquisitions

	U-ME Enterprise Co., Ltd.	Hand-On Lighting Co., Ltd.
Consideration transferred	\$ 65,000	\$ 5,253
Plus: Non-controlling interests	6,000	5,331
Less: Fair value of identifiable net assets acquired	<u>(20,600)</u>	<u>(10,880)</u>
Goodwill recognized on acquisitions (gain from bargain purchase)	<u>\$ 50,400</u>	<u>\$ (296)</u>

The goodwill recognized in the acquisitions of U-ME Enterprise Co., Ltd. mainly represents the control premium. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of U-ME Enterprise Co., Ltd. These benefits are not recognized separately because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow(inflow) on acquisition of subsidiaries

	U-ME Enterprise Co., Ltd.	Hand-On Lighting Co., Ltd.
Consideration paid in cash	\$ 65,000	\$ 5,253
Less: Cash and cash equivalent balances acquired	<u>(834)</u>	<u>(8,671)</u>
	<u>\$ 64,166</u>	<u>\$ (3,418)</u>

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 30, 2017, the Group’s ownership interest of Chung Cin Enterprise Co., Ltd. was reduced from 100% to 95.60% since the Group did not subscribe for all of the additional new shares issued by Chung Cin Enterprise Co., Ltd.

In addition, as the Group subscribed for additional new shares of Hand-On Lighting Co., Ltd. via cash of \$10,047 on October 11 and November 22, 2018, the Group’s ownership interest remain unchanged.

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

	Chung Cin
Cash consideration paid	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(558)</u>
Differences arising from the equity transaction	<u>\$ (558)</u>

28. OPERATING LEASE ARRANGEMENTS

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

Period	Amount
2019-2023	\$ 7,992,368
Later than 2024 (present values of \$2,380,150 thousand)	<u>2,643,433</u>
	<u>\$ 10,635,801</u>

29. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

- a. Personnel, depreciation, and amortization expenses for the years ended December 31, 2018 and 2017 were summarized as follows:

Function Expense Item	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 46,745	\$ 3,511,350	\$ 3,558,095	\$ 44,842	\$ 3,398,672	\$ 3,443,514
Labor insurance and health insurance	4,521	249,396	253,917	4,634	252,449	257,083
Pension cost	2,551	187,881	190,432	2,510	205,969	208,479
Others	4,393	311,385	315,778	3,649	377,012	380,661
Depreciation expenses	60,769	550,570	611,339	65,659	584,902	650,561
Amortization expenses	-	113,001	113,001	69	156,528	156,597

As of December 31, 2018 and 2017, the Group had 5,539 and 5,806 employees, respectively.

- b. Employees’ compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees’ compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors and supervisors. The employees’ compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Company’s board of directors on March 26, 2019 and March 26, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees’ compensation	1.0%	1.0%
Remuneration of directors and supervisors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	Cash	Cash
Employees’ compensation	\$ 2,345	\$ 8,332
Remuneration of directors and supervisors	3,517	12,498

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

There is no difference between the actual amounts of employees’ compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

Information on the employees’ compensation and remuneration of directors and supervisors resolved by the Company’s board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. CAPITAL MANAGEMENT

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

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

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

Name	Relationship
Tsai Wang Enterprise Company Limited	Entity controlled by key management personnel
Li Xiong Co., Ltd.	Entity controlled by key management personnel
Saturn Intelligence (CA) Ltd.	Entity controlled by key management personnel
Saturn Intelligence (AR) Ltd.	Entity controlled by key management personnel
Saturn Intelligence (CN) Ltd.	Entity controlled by key management personnel
Judy Lee	Chairman of Test-Rite
Tony Ho	Related party in substance
You Chuan Hsieh	Related party in substance
Yu Yi Shih	Related party in substance

a. Operating transactions

	Construction Contract Revenue For the Year Ended December 31	
	2018	2017
Entity controlled by key management personnel	\$ 30,151	\$ -

The sales price and terms of transactions with related parties were decided on the contracts which were agreed by both sides.

	Revenue from Sale of Real Estate For the Year Ended December 31	
	2018	2017
Related party in substance	\$ 14,782	\$ -

The sales price of transactions with related parties which were similar to those for third parties.

	Rent Expense For the Year Ended December 31	
	2018	2017
Tsai Wang Enterprise Company Limited	\$ 331,991	\$ 320,906
Entity controlled by key management personnel	59,786	-
	\$ 391,777	\$ 320,906

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

	Refundable Deposits Paid December 31	
	2018	2017
Tsai Wang Enterprise Company Limited	\$ 125,000	\$ 125,000

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

b. Equity transaction

See Note 27.

c. Property lease

The future minimum lease payments for the Company and others of non-cancellable operating lease commitments were as follows:

Period	Amount
2019-2023	\$ 1,985,146
Later than 2024 (present values of \$121,577 thousand)	<u>125,954</u>
	<u>\$ 2,111,100</u>

d. Endorsements or guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 34.

As of December 31, 2018, short-term borrowings of \$70,120 thousand were guaranteed by chairman of Test-Rite (Judy Lee) and related party in substance (Tony Ho), short-term borrowings of \$122,709 thousand were guaranteed by chairman of Test-Rite (Judy Lee), short-term borrowings of \$811,000 thousand were guarantee by related party in substance (Tony Ho).

As of December 31, 2018, long-term borrowings of \$4,110,237 thousand were guaranteed by chairman of Test-Rite (Judy Lee); and long-term borrowings of \$1,890,000 thousand were guaranteed by related party in substance (Tony Ho).

As of December 31, 2018, short-term bills payable of \$99,966 thousand were guaranteed by related party in substance (Tony Ho).

As of December 31, 2017, short-term borrowings of \$71,046 thousand were guaranteed by chairman of Test-Rite (Judy Lee) and related party in substance (Tony Ho), short-term borrowings of \$177,615 thousand were guaranteed by chairman of Test-Rite (Judy Lee), short-term borrowings of \$326,000 thousand were guarantee by related party in substance (Tony Ho).

As of December 31, 2017, long-term borrowings of \$805,896 thousand were guaranteed by chairman of Test-Rite (Judy Lee), and related party in substance (Tony Ho), long-term borrowings of \$3,011,032 thousand were guaranteed by chairman of Test-Rite (Judy Lee), and long-term borrowings of \$1,900,000 thousand were guaranteed by related party in substance (Tony Ho).

As of December 31, 2017, short-term bills payable of \$79,992 thousand were guaranteed by related party in substance (Tony Ho).

e. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2018	2017
Short-term employee benefits	\$ 188,674	\$ 164,082
Post-employment benefits	<u>12,354</u>	<u>2,283</u>
	<u>\$ 201,028</u>	<u>\$ 166,365</u>

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

32. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value. As of December 31, 2018 and 2017, the carrying amounts approximate their fair value.

b. Fair value measurements recognized in the consolidated balance sheets

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 32,757	\$ -	\$ 32,757
Non-derivative financial assets	\$ 270,374	\$ -	\$ -	\$ 270,374
Financial liabilities at FVTPL				
Derivatives financial assets	\$ -	\$ 16,017	\$ -	\$ 16,017

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 32,003	\$ -	\$ 32,003
Non-derivative financial assets	\$ 598,138	\$ -	\$ -	\$ 598,138
Financial liabilities at FVTPL				
Derivatives financial assets	\$ -	\$ 40,159	\$ -	\$ 40,159

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

Financial Risk Management Objectives and Policies

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

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

a. Market risk

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

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

1) Foreign currency risk

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

The carrying amounts of the Company’s foreign currency denominated monetary assets and monetary liabilities (see Note 35).

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and

the effect on profit and loss by their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Equity	<u>\$ (21,359)</u>	<u>\$ (11,351)</u>	<u>\$ 134</u>	<u>\$ 50</u>

2) Interest rate risk

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

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

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 359,241	\$ 278,626
Financial liabilities	9,314,874	6,928,766

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

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Company’s cash outflow for the years ended December 31, 2018 and 2017 would have been higher by \$89,556 thousand and \$66,501 thousand.

b. Credit risk

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

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

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

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

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

c. Liquidity risk

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

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

	December 31, 2018			
	1 Year	2-3 Years	3+ Years	Total
Non-derivative financial liabilities				
Non-interest bearing	\$ 7,779,257	\$ -	\$ 225,527	\$ 8,004,784
Fixed interest rate liabilities	99,966	-	-	99,966
Variable interest rate liabilities	<u>3,220,354</u>	<u>5,627,378</u>	<u>467,142</u>	<u>9,314,874</u>
	<u>\$ 11,099,577</u>	<u>\$ 5,627,378</u>	<u>\$ 692,669</u>	<u>\$ 17,419,624</u>
	December 31, 2017			
	1 Year	2-3 Years	3+ Years	Total
Non-derivative financial liabilities				
Non-interest bearing	\$ 6,954,224	\$ -	\$ 230,277	\$ 7,184,501
Fixed interest rate liabilities	79,992	-	-	79,992
Variable interest rate liabilities	<u>2,436,838</u>	<u>4,491,928</u>	<u>-</u>	<u>6,928,766</u>
	<u>\$ 9,471,054</u>	<u>\$ 4,491,928</u>	<u>\$ 230,277</u>	<u>\$ 14,193,259</u>

33. PLEDGED ASSETS

	December 31	
	2018	2017
Property, plant and equipment (see Notes 15 and 18)	\$ 1,725,840	\$ -
Time deposits (see Notes 6, 8 and 9)	<u>236,640</u>	<u>110,671</u>
	<u>\$ 1,962,480</u>	<u>\$ 110,671</u>

34. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's, Test-Rite Retail's and Testrite Brand Agency's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2018 and 2017 were US\$1,949 thousand and US\$1,476 thousand, respectively.

Test-Rite's, Test-Rite Retail's and Testrite Brand Agency's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2018 and 2017 were EUR19 thousand and EUR24 thousand, respectively.

Endorsements/guarantees provided: As of December 31, 2018 and 2017, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

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

	December 31	
	2018	2017
Endorsements		
Test-Rite Trading Co., Ltd. and Test-Rite Retailing Co., Ltd.	US\$ 31,000	US\$ 13,000
Test-Rite Products Corp.	US\$ 10,600	US\$ 15,600
Test-Rite Retailing Co., Ltd.	US\$ 10,000	US\$ 10,000
Hola Shanghai Retail & Trading	US\$ 10,000	US\$ 10,000
Test-Rite Business Development and six other subsidiaries	US\$ 16,230	-
Hola Shanghai Retail & Trading, Test-Rite (China) Investment and Test-Rite Business Development	US\$ -	US\$ 6,500
Test-Rite Business Development	US\$ 5,000	US\$ 5,000
Hola Shanghai Retail & Trading and Test-Rite Business Development	US\$ 5,000	US\$ 5,000
Test-Rite Trading Co., Ltd.	US\$ 2,000	US\$ 2,000
Test-Rite Pte Ltd.	US\$ 1,000	US\$ 1,000
Subsidiary of TR Development	EUR 7,000	EUR 7,000
Test-Rite Germany Import GmbH (Germany) and Subsidiary of TR Development	EUR 1,000	EUR 1,000
Test Rite Int’l. (Canada) Ltd.	CAD 30	CAD 30
Test-Rite C&B	NT\$ 45,000	NT\$ 45,000

As of December 31, 2018 and 2017 Test-Rite Retail and Test-Rite Brand Agency have import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$84,035 thousand and \$134,233 thousand.

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

The information of significant foreign-currency financial assets and liabilities as of December 31, 2018 and 2017 was summarized as follows:

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

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 156,708	30.733	\$ 4,816,107	\$ 116,641	29.848	\$ 3,481,501
EUR	474	35.098	16,618	291	35.5229	10,337
<u>Financial liabilities</u>						
Monetary items						
USD	226,208	30.733	6,952,050	154,671	29.848	4,616,620
EUR	93	35.098	3,261	150	35.5229	5,328

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains were \$151,708 thousand and \$68,234 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

Segment Revenue and Results

The analysis of the Company's revenue and results from continuing operations by reportable segment for the years ended December 31, 2018 and 2017 was as follows:

	2018				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$ 19,715,682	\$ 20,111,649	\$ 1,638,224	\$ (1,567,605)	\$ 39,897,950
Operating costs	<u>(12,624,626)</u>	<u>(16,212,100)</u>	<u>(1,359,619)</u>	<u>559,384</u>	<u>(29,636,961)</u>
Gross profit	7,091,056	3,899,549	278,605	(1,008,221)	10,260,989
Operating expenses	<u>(7,029,533)</u>	<u>(3,656,571)</u>	<u>(110,576)</u>	<u>996,617</u>	<u>(9,800,063)</u>
Profit from operations	<u>\$ 61,523</u>	<u>\$ 242,978</u>	<u>\$ 168,029</u>	<u>\$ (11,604)</u>	<u>460,926</u>
Non-operating income and expenses					<u>(114,869)</u>
Profit before income tax					<u>\$ 346,057</u>

	2017				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$ 20,178,420	\$ 17,885,986	\$ 1,096,559	\$ (2,197,753)	\$ 36,963,212
Operating costs	<u>(12,728,294)</u>	<u>(13,737,667)</u>	<u>(890,274)</u>	<u>1,175,690</u>	<u>(26,180,545)</u>
Gross profit	7,450,126	4,148,319	206,285	(1,022,063)	10,782,667
Operating expenses	<u>(7,112,196)</u>	<u>(3,632,167)</u>	<u>(103,422)</u>	<u>1,025,773</u>	<u>(9,822,012)</u>
Profit from operations	<u>\$ 337,930</u>	<u>\$ 516,152</u>	<u>\$ 102,863</u>	<u>\$ 3,710</u>	<u>960,655</u>
Non-operating income and expenses					<u>150,349</u>
Profit before income tax					<u>\$ 1,111,004</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2018 and 2017.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2018 and 2017 was as follows:

2018					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 11,049,013</u>	<u>\$ 18,296,345</u>	<u>\$ 2,028,791</u>	<u>\$ (5,376,130)</u>	<u>\$ 25,998,019</u>
Liabilities	<u>\$ 8,649,751</u>	<u>\$ 9,541,778</u>	<u>\$ 1,035,347</u>	<u>\$ (642,341)</u>	<u>\$ 18,584,535</u>
2017					
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 10,995,334</u>	<u>\$ 15,758,295</u>	<u>\$ 1,671,290</u>	<u>\$ (5,552,641)</u>	<u>\$ 22,872,278</u>
Liabilities	<u>\$ 8,028,383</u>	<u>\$ 7,439,052</u>	<u>\$ 723,677</u>	<u>\$ (991,101)</u>	<u>\$ 15,200,011</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2018 and 2017.

Geographical Information

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

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Asia	\$ 34,156,043	\$ 31,044,156	\$ 10,762,519	\$ 9,418,726
America	4,080,701	4,163,617	70,074	53,765
Europe	1,661,206	1,755,439	234,851	31,597
Australia and others	<u>-</u>	<u>-</u>	<u>16,637</u>	<u>17,859</u>
	<u>\$ 39,897,950</u>	<u>\$ 36,963,212</u>	<u>\$ 11,084,081</u>	<u>\$ 9,521,947</u>

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

Major Customer

Major customers representing at least 10% of net revenue:

	For the Year Ended December 31	
	2018	2017
Customer A	<u>\$ 5,951,986</u>	<u>\$ 3,753,463</u>

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

7.1 Analysis of Financial Status

Unit : NTD\$ thousand				
Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	11,851,316	13,362,576	1,511,260	13%
Long-term Investment	5,618,359	6,886,512	1,268,153	23%
Fixed Assets	2,571,107	2,591,183	20,076	1%
Other Assets	2,831,496	3,157,748	326,252	12%
Total Assets	22,872,278	25,998,019	3,125,741	14%
Current Liabilities	10,230,994	12,052,649	1,821,655	18%
Long-term Liabilities	4,969,017	6,531,886	1,562,869	31%
Other Liabilities	15,200,011	18,584,535	3,384,524	22%
Total Liabilities	5,098,875	5,098,875	0	0%
Capital stock	647,962	647,962	0	0%
Capital surplus	2,064,003	1,832,432	(231,571)	-11%
Retained Earnings	(180,438)	(241,414)	(60,976)	34%
Non-controlling Interests	41,865	75,629	33,764	81%
Total Stockholders' Equity	7,672,267	7,413,484	(258,783)	-3%

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

- 1. Property, plant and equipment increase was driven by acquisition the office building in Shanghai
- 2. Current liability and total liability increase was driven by increasing long-Term Loan
- 3. Other item under the stock of equity decrease was caused by recognition of overseas subsidiary and currency exchange of financial statement.
- 4. Minority Interest increase was caused by CHUNG_CIN’s acquis acquisition of subsidiary.

7.2 Analysis of Operating Results
7.2.1 Analysis of Operating Results

Unit : NTD\$ thousand				
Item \ Year	2017	2018	Difference	
			Amount	%
Net Sales	36,963,212	39,897,950	2,934,738	7.9%
Cost of Sales	26,180,545	29,636,961	3,456,416	13.2%
Gross Profit	10,782,667	10,260,989	(521,678)	-4.8%
Operating Expenses	9,822,012	9,800,063	(21,949)	-0.2%
Operating Income	960,655	460,926	(499,729)	-52.0%
Non-operating Income and Expenses	150,349	(114,869)	(265,218)	-176.4%
Income Before Tax	1,111,004	346,057	(764,947)	-68.9%
Tax Benefit (Expense)	(284,899)	72,864	357,763	-125.6%
Income After Tax	826,105	418,921	(407,184)	-49.3%

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

- 1. Operating profit decrease: The continued growth in consolidated revenue was driven mainly by a stable pick-up in our trading business. However, the higher raw material costs and changes in US dollar exchange rate caused the operating cost grow but operating profit depress.
- 2. Operating revenue and operating profit decrease was lower than last year was driven by one-time cost restructuring adjustment at HOLA China in 2018 and the gain on disposal of property, plant and equipment in 2017.
- 3. Pre-tax profit depressed was driven by the decrease in operating profit and one-time cost restructuring adjustment at HOLA China.
- 4. Due to US subsidiaries recognized income tax expenses because of changes in tax rates in 2016 and one-time reduction in the income-tax benefit in 2017.

7.2.2 Future response plans :

Because of the effectiveness of Agreement on Trade Facilitation (TFA), the expansion of financial policy which increased domestic demand in China, and the rebounding of product price, trading volumes around the world had a significant recovery in 2017, the largest growth in last 10 years. However, the growth of overall trade in the world in 2018 slow down due to the cost of raw material kept rising and the trade war between U.S. and China jeopardized international trade order and world economic. Although we were in the severe situation, the trading business also had an excellent performance. Shipments to Walmart, the world's largest retailer by revenue, increased steadily as we continued to hold the leading position as its "Tools Category Manager." Similarly, our strategic alliance with Hillman, the renowned global hardware importer, performed well with shipments increasing significantly. Our agency business also delivered a strong result. Over the years, we have committed to offering best-in-class value-added products and services to our clients and key partners. Looking ahead, we remain focused on nurturing these strategic relationships as we develop new product categories, refine product value propositions, strengthen our product expertise and global sourcing ability, explore more opportunities in traditional or agency trading business, to drive further growth in the arduous and unstable environment.

Since 2013, the policies strengthened toward housing market, to 2016, the effectiveness of Consolidated Housing and Land Taxes, demand for houses and related products, services was dampened at the low level. Adding with the labor policy "One Mandatory Day Off and One Flexible Rest Day" being effective, and the unclearness of domestic economy policy in 2017, consumers keep holding their spending and watching. According to Taiwan's Department of Statistics, total sales in two housing-related industries, namely Housing Products and Accessories and Construction Materials, both fell by more than 4% in 2017. It means conditions for the housing-related segment of the retail market remain challenging. Despite these headwinds, we remained steadfast in elevating our customers' experience through effective marketing and high-quality services as a way to fortify their loyalty. In December 2017, we launched the new TR Plus website, which combined TLW and HOLA's online assets while also improving the overall user experience in browsing, buying and interactivity. Our aim is to establish a one-of-a-kind one-stop online platform in Taiwan for all things related to the home. Complementing the convenience of online access is an expanded offering of 'hardline' and 'softline' products and services, such as partial renovations and house-cleaning services. We expect e-commerce to play a key role in driving the growth of our retail business and to offer increasingly more value-added services to fulfil evolving customer demands.

In China, we implemented our strategy of eliminating or adjusting poorly performing, high rent-expenses, bad location stores to improve profitability and efficiency of utilizing our resources. Major changes in the retail market are underway in China. Online companies have extended their businesses offline. Mainstream retail has now embraced the concept of "New Retail" as they operate without boundaries for an improved customer experience. Much has been invested in providing new experiential forms of product engagement and improving customer service. We aim to stay competitive in the China market by working with local strategic partners and leveraging our expertise in procurement, operating retail channels and stores, and offering customers distinctive experiences with our brand. Under the "New Retail" concept, we will develop our brand new concept stores, focus on key categories products, improve profitability and increase the proportion of our self-supported products, and strengthen the experience marketing. In addition, HOLA China will look for win-win strategy partners to maximize our profit.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit : NTD\$ thousand					
Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
1,461,147	985,082	(450,567)	1,995,662	不適用	不適用

1. Operating Activities: The net cash inflow from operating activities NTD 985,082 thousand, mostly Income Before Tax NTD 346,057, due to non cash expenses of NTD 1,092,000 thousand, and cash inflow from financial assets at fair value through profit or loss, Net cash outflows such as increases in net cash inflows and other payables of financial assets, inventories and other operating assets, measured at fair value through profit or loss, resulted in a net cash outflow of approximately NT\$ 453,000 thousand.
2. Investment Activities: The net cash outflow from investing activities NTD 2,188,039 thousand, mostly came from the purchasing of properties and the Increase of refundable deposits.
3. Activities: The Net cash inflow from financing activities NTD 1,778,672 thousand, mainly due to cash dividend payout and bank loan .

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

7.3.3 Cash Flow Analysis for the Coming Year

Unit : NTD\$ thousand					
Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Inflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Financing Plans	Financing Plans
1,995,662	1,937,000	(364,000)	1,631,662	N.A.	N.A.
Analysis of cash flow changes for the coming year: <div>1. Operating activities: due to sustained growth in operating activities, cash inflow from operating activities has attained NTD1,937,000 thousand.</div> <div>2. Investing and financing activities: cash outflow for investment and financing activities of NTD2,301,000 thousand resulted for the entire year; Investment Activities included new stores opening, stores renovation, set up new system, warehouse,etc.Financing Activities included the planned cash dividend payout and increase in bank loan.</div>					

7.4 Major Capital Expenditure Items : No.

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

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

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

7.5.2 Main Causes for Profits or Losses and Improvement Plans

Unit: NT\$ thousands
Date: December 31, 2018

Item \ Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Fortune Miles Trading Inc.	941	Investment holding company	The annual official fees payment and loss recognized by equity method	NA
Test-Rite Star Co., Ltd.	38,148	Investment holding company	Loss recognized by equity method	Improving operational performance and establish tighter control on costs and expenses.

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Test-Rite Retailing Co., Ltd.		3,566,243	Investment holding company	This was due mainly to the investment in the holding company of China Retail subsidiaries, the losses of which were recognized under the equity method. In China we undertake various actions to keep driving sales up, for example, we launch the franchise model with city partners, continue to invest in E-commerce, strengthen customer experience in physical stores and integrate merchandisers in China and Taiwan to respond the severe and challenge Market. Simultaneously, we tend to more carefully review the profitability of each store and improve fundamental operations. By strengthening the development of private label products and closing those underperformed stores to improve the fundamental operation and then HOLA CN is better evolving in long-term intrinsic value.	Continued implementation of weak and weak policy and Elevate the category's operating efficiency in each store and strive to seek strategic partners' cooperation to achieve maximum benefits.
Test-Rite Trading Co., Ltd.		2,444,972	Investment holding company	This was due mainly to the investment in the holding company of China Trading subsidiaries, the losses of which were recognized under the equity method.	NA
Upmaster International Co., Ltd.		311,736	Investment holding company	This was due mainly to the investment in the holding company of US Trading subsidiaries, loss recognized by equity method	NA
Test-Rite Pte Ltd.		39,748	Importation and exportation	Profit recognized by equity method.	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Products (Hong Kong) Limited		4,222	Importation and exportation	Loss recognized by equity method	Establishing tighter control on costs and expenses.
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED		114,453	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
Test-Rite Viet Nam Co., Ltd.		29,175	Importation and exportation	Profit recognized by equity method.	The company is performing liquidation process
Test-Rite Int'l (Canada) Ltd.		51,483	Importation and exportation	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.
TEST-RITE (UK) LTD.		110,976	Importation and exportation	Profit recognized by equity method.	NA
Test-Rite Development GmbH		930,222	Investment holding company	This was due mainly to the investment in the holding company of our European trading sub-subsidiary ,loss recognized by equity method	NA
Test-Rite International (U.S.)Co., Ltd.		1,640,059	Investment holding company	Loss recognized by equity method	NA
Lih Chiou Co., Ltd.		3,872,737	Investment holding company	Profit recognized by equity method	NA
Lih Teh International Co., Ltd.		88,290	Logistics services	Loss recognized by equity method	NA

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
	B&S Link Co., Ltd., Ltd.	22,994	Providing information software and electronic information	Profit recognized by equity method	NA
	Home Tech Co., Ltd.	15,000	Other information provision services	Profit recognized by equity method	NA
	Fusion International Distribution, Inc.	5,585	Importation and exportation	Loss recognized by equity method	NA
	Chung Cin Enterprise Co., Ltd.	381,406	Authorized builder to build dwelling, rental and sale of building	Profit recognized by equity method	NA
	International Art Enterprise Co., Ltd.	107,109	Trading of leisure goods	Profit recognized by equity method	NA
	Test-Rite Retail Co., Ltd.	4,955,542	Sale of house decoration hardware and construction materials	Profit recognized by equity method	NA
	Test-Rite Home Service Co., Ltd.	86,000	Interior design	Profit recognized by equity method	NA
	Hola Home furnishings Co., Ltd.	402	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	Manage related official fees and extra expenses.
	Testrite Brand Agency Co., Ltd.	409,802	Sales of furniture, bedclothes, kitchen equipments and fixtures	Loss recognized by equity method	NA
	Test Rite C&B Co., Ltd.	329,794	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 Co., Ltd.	230,000	Build and civil engineering	Profit recognized by equity method	NA
	Test Cin M&E Engineering Co., Ltd.	80,000	Mechanical and electronic engineering	Profit recognized by equity method	NA
	Chung Cin Interior Design Construction Co., Ltd.	12,000	Interior design	Profit recognized by equity method	NA
	Viet Han Co., Ltd.	29,203	Importation and exportation	Profit recognized by equity method	NA
	Youmei Enterprise Co., Ltd.	65,000	Cleaning service and land scape design	Profit recognized by equity method	NA
	Hand-on Lighting Co., Ltd.	15,300	Sale of electrical appliances	Profit recognized by equity method	NA
	Test Cin International Co., Ltd.	5,100	Sale of construction material	Loss recognized by equity method	Review and improve operational performance and establishing tighter control on costs and expenses.

7.5.3 Investment plan in one year

Item	Remarks	Investment amount	Policies	Investment reason
Test-Rite International (U.S.)Co., Ltd.		USD 28,000,000	Investment Holdings	In responseto US operational requirements, Test-Rite expands the distribution center.

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	2017	2018
Ratio of liabilities to assets (%)	66.5	71.5
Interest Expense	227,639	292,010
Income before Tax	1,111,004	346,057
Ratio of Interest Expense to income before tax (%)	20.49	84.38

(1)Losses that have impacted the company: the Company's interest expenses from loans for 2017 and 2018 were NTD227,639 million and NTD292,010 million,Interest expense of loans increase, mainly because of the increase of outstanding loan, comparing to previous year.

(2)Future countermeasures: as the Company's primary business and reinvestment of profits are both in a healthy state, debts and loans will be paid off gradually, with loans needed for future operations on a decline and interest expenses abating accordingly. The Company will keep a close watch on market interest rate trends and adjust our financial structure appropriately to achieve an optimal allocation of capital and secure a lower cost of capital.

2.Foreign exchange rates

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

Item／Year	2017	2018
Foreign exchange gain	68,234	151,708
Valuation loss of forward exchange agreement	(20,123)	25,814
Foreign exchange gain, (net)	48,111	177,522
Operating revenues	36,963,212	39,897,950
Income before income tax	1,111,004	346,057
Foreign exchange gain / Operating revenues (%)	0.13	0.44

Unit : NT\$ thousand

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

3.Inflation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

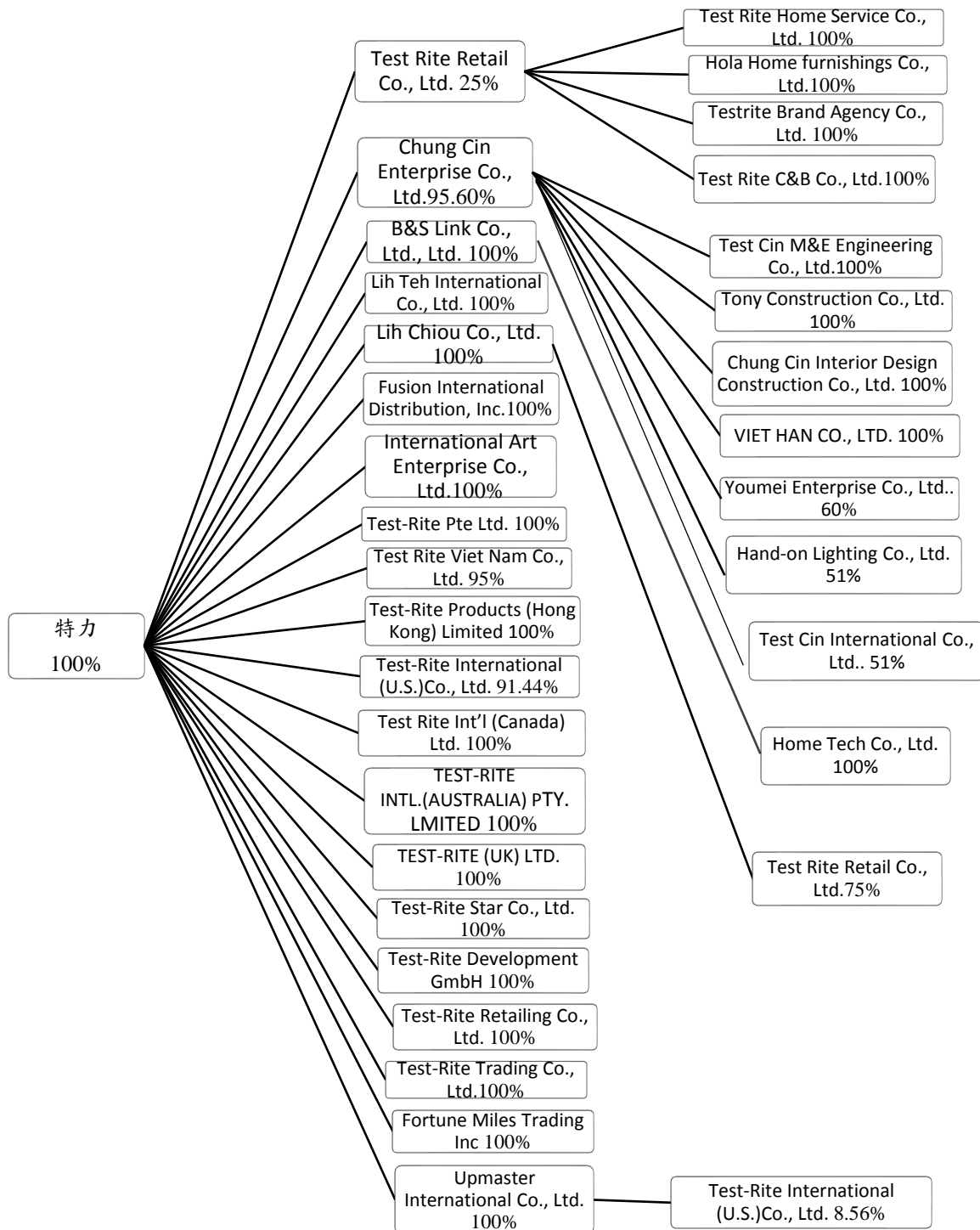
7.6.12 Litigation or Non-litigation Matters : None.

7.6.13 Other Major Risks : None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Investment Holdin Structure



8.1.2 Affiliates' Profile :

Name	Date of Incorporation	Address	Paid-up capital	Main business
Test Rite Retail Co., Ltd.	3/1/1995	1, 2, 5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 1,000,000,000	Sale of house decoration hardware and construction materials
Test Rite Home Service Co., Ltd.	6/23/2004	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 86,000,000	Interior design
Hola Home furnishings Co., Ltd.	9/30/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 600,000	Sales of furniture, bedclothes, kitchen equipment and fixtures
Testrite Brand Agency Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 430,226,000	Sales of furniture, bedclothes, kitchen equipment and fixtures
Test Rite C&B Co., Ltd.	10/1/2010	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 330,000,000	Sales of furniture, bedclothes, kitchen equipment and fixtures
Chung Cin Enterprise Co., Ltd.	5/23/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 453,440,000	Authorized builder to build dwelling, rental and sale of building
Test Cin M&E Engineering Co., Ltd.	9/8/1997	1F, No. 89, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 80,000,000	Mechanical and electronic engineering
Tony Construction Co., Ltd.	4/22/1992	1F, No. 89, Minshan St. , Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 230,000,000	Build and civil engineering
Chung Cin Interior Design Construction Co., Ltd.	7/31/2003	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 12,000,000	Interior design
Viet Han Co., Ltd.	2/14/2009	No.6 Nguyen Khac Vien, Tan Phu Ward, Dist.7, HCMC.	USD 1,000,000	Importation and exportation
Youmei Enterprise Co., Ltd.	24/9/2009	1F., No. 7, Ln. 64, Zhongzheng N. Rd., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	NTD 15,000,000	Cleaning service and land scape design
Hand-on Lighting Co., Ltd.	16/11/1998	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 30,000,000	Sale of electrical appliances
Test Cin International Co., Ltd.	15/11/2018	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 10,000,000	Sale of construction material
B&S Link Co., Ltd.	2/5/2001	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 23,000,000	Providing information software and electronic information
Home Tech Co., Ltd.	9/19/2017	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 15,000,000	Other information provision services
Lih Teh International Co., Ltd.	9/14/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 50,000,000	Logistics services

Lih Chiou Co., Ltd.	9/14/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 3,884,140,000	Investment holding company
Fusion International Distribution, Inc.	10/6/1994	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 9,998,380	Importation and exportation
International Art Enterprise Co., Ltd.	10/17/1972	5F, No. 23, Hsin Hu 3rd Rd., Nei Hu Dist., Taipei City 11494, Taiwan, R.O.C.	NTD 10,000,000	Trading of leisure goods
Test-Rite Pte Ltd.	8/11/1989	36B Boat Quay, Singapore (049825)	S\$ 2,100,4300	Importation and exportation
Test-Rite Viet Nam Co., Ltd.	3/23/2009	SJ-07, Garden Plaza 1, Ton Dat Tien Street, Tan Phong Ward, District 7, HCMC	US\$ 1,000,000	Importation and exportation
Test-Rite Products (Hong Kong) Limited	12/30/1980	Room 2502, 25/F., 148 Electric Road, North Point , Hong Kong	HK\$ 1,000,000	Importation and exportation
Test-Rite International (U.S.)Co., Ltd.	6/25/1991	2711 Centerville Rd Ste 400, Wilmington, New Castle, State of Delaware	US\$52,878,000	Investment holding company
Test-Rite Int'l (Canada) Ltd.	12/29/1999	110 Riviera Drive, Markham, Ontario L3R 5M1, Canada.	CAD\$ 1,575,000	Importation and exportation
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED	4/12/1990	310 Prarie Vale Road, Prairewood N.S.W. 2176	A\$ 3,550,000	Importation and exportation
TEST-RITE (UK) LTD.	7/27/2010	133-137 Alexandra Road, London, SW19 7JY	GBP\$ 775,930	Importation and exportation
Test-Rite Development GmbH	1/25/2002	Merkurring 82, 22143 Hamburg, Germany	EURO\$ 9,670,000	Investment holding company
Test-Rite Star Co., Ltd.	4/17/2001	3rd Floor, J & C Building, P.O. Box 362, Road Town, Tortola, Virgin Islands (British) VG1110	US\$ 1,089,000	Investment holding company
Test-Rite Retailing Co., Ltd.	4/8/2003	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 111,481,000	Investment holding company
Test-Rite Trading Co., Ltd.	10/23/2002	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 80,668,806	Investment holding company
Fortune Miles Trading Inc.	9/21/2001	Portcullis Trust Net Chambers, Lotemau Center, P.O.Box 1225, Apia, Samoa	US\$ 30,000	Investment holding company
Upmaster International Co., Ltd.	6/14/1996	3rd Floor, J & C Building, P.O. Box 362, Road Town, Tortola, Virgin Islands (British) VG1110	US\$ 6,400,000	Investment holding company

8.1.3 Information of Affiliated Companies Director, Supervisor and President

Date: December 31, 2018

Company Name	Title	Name or Representative	Share	%
Test-Rite Retail Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Tony Ho	0	0.00
	Director	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Robin Ho	0	0.00
		Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Sophia Tong	0	0.00
		Lih Chiou Co., Ltd. Representative : Linda Lin	75,000,001	75.00
		Lih Chiou Co., Ltd. Representative : Eric Chang	0	0.00
Test-Rite Home Service Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Jason Chang	0	0.00
	Director	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Tony Ho	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Robin Ho	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Sophia Tong	0	0.00
		Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Linda Lin	0	0.00
Hola Homefurnishings Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Linda Lin	0	0.00
Testrite Brand Agency Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	43,022,6000	100.00
		Representative : Tony Ho	0	0.00
	Director	Test-Rite Retail Co., Ltd.	43,022,600	100.00
		Representative : Judy Lee	0	0.00
		Test-Rite Retail Co., Ltd.	43,022,600	100.00
		Representative : Kelly Ho	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	43,022,600	100.00
		Representative : Linda Lin	0	0.00
Test Rite C&B Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	33,000,000	100.00
		Representative : Tony Ho	0	0.00

	Director	Test-Rite Retail Co., Ltd. Representative : Judy Lee	33,000,000 0	100.00 0.00
	Supervisor	Test-Rite Retail Co., Ltd. Representative : Kelly Ho	33,000,000 0	100.00 0.00
		Test-Rite Retail Co., Ltd. Representative : Linda Lin	33,000,000 0	100.00 0.00
Chung Cin Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	43,350,000 0	95.60 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	43,350,000 0	95.60 0.00
		Test Rite Int'l Co., Ltd. Representative : Robin Ho	43,350,000 0	95.60 0.00
		Test Rite Int'l Co., Ltd. Representative : YC Hsieh	43,350,000 0	95.60 0.00
		Test Rite Int'l Co., Ltd. Representative : Linda Lin	43,350,000 0	95.60 0.0
	Supervisor			
Test Cin M&E Engineering Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	8,000,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Robin Ho	8,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	8,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	8,000,000 0	100.00 0.00
Tony Construction Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	23,000,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	23,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	23,000,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Wen Ping Chen	23,000,000 0	100.00 0.00
Chung Cin Interior Design Construction Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	1,200,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Kelly Ho	1,200,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Li Shan Lee	1,200,000 0	100.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	1,200,000 0	100.00 0.00
VIET HAN CO., LTD.	Director	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	0 0	100.00 0.00
Youmei Enterprise Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : Chen Yen Chang	600,000 0	40.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	900,000 0	60.00 0.00
		Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	900,000	60.00

	Supervisor	Anita Chiang	0	0.00
			0	0.00
Hand-on Lighting Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd.	15,300,000	51.00
		Representative : YC Hsieh	0	0.00
	Director	Chung Cin Enterprise Co., Ltd.	15,300,000	51.00
		Representative : Hannis Chang	0	0.00
		YU TZU CHIANG	8,400,000	28.00
	Superviso	YU SHU HSIEN	3,150,000	10.50
Test Cin International Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd.	5,100,000	51.00
		Representative : YC Hsieh	0	0.00
	Director	Chung Cin Enterprise Co., Ltd.	5,100,000	51.00
		Representative : Hannis Chang	0	0.00
		Alex Yang	3,500,000	35.00
	Superviso	Anita Chiang	400,000	4.00
B&S Link Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	2,300,000	100.00
		Representative : Tony Ho	0	0.00
		Test Rite Int'l Co., Ltd.	2,300,000	100.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	2,300,000	100.00
		Representative : Robin Ho	0	0.00
		Test Rite Int'l Co., Ltd.	2,300,000	100.00
		Representative : Linda Lin	0	0.00
Home Tech Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	1,500,000	100.00
		Representative : Judy Lee	0	0.00
	Director	Test Rite Int'l Co., Ltd.	1,500,000	100.00
		Representative : Sophia Tong	0	0.00
		Test Rite Int'l Co., Ltd.	1,500,000	100.00
		Representative : Robin Ho	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	1,500,000	100.00
		Representative : Linda Lin	0	0.00
Lih Teh International Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	5,000,000	100.00
		Representative : Tony Ho	0	0.00
		Test Rite Int'l Co., Ltd.	5,000,000	100.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	5,000,000	100.00
		Representative : Eric Chang	0	0.00
		Test Rite Int'l Co., Ltd.	5,000,000	100.00
		Representative : Linda Lin	0	0.00
Lih Chiou Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	388,414,000	100.00
		Representative : Tony Ho	0	0.00
		Test Rite Int'l Co., Ltd.	388,414,000	100.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	388,414,000	100.00
		Representative : Eric Chang	0	0.00
		Test Rite Int'l Co., Ltd.	388,414,000	100.00
		Representative : Linda Lin	0	0.00

Fusion International Distribution, Inc	Chairman	Test Rite Int'l Co., Ltd.	999,838	100.00
		Representative : Tony Ho	0	0.00
		Test Rite Int'l Co., Ltd.	999,838	100.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	999,838	100.00
		Representative : Eric Chang	0	0.00
International Art Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	1,000,000	100.00
		Representative : Judy Lee	0	0.00
		Test Rite Int'l Co., Ltd.	1,000,000	100.00
	Director	Representative : Sophia Tong	0	0.00
		Test Rite Int'l Co., Ltd.	1,000,000	100.00
		Representative : Robin Ho	0	0.00
Test-Rite Pte Ltd.	Director	Test Rite Int'l Co., Ltd.	1,000,000	100.00
		Representative : Linda Lin	0	0.00
Test-Rite Viet Nam Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Yang Furong	0	0.00
Test-Rite Products (Hong Kong) Limited	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
Test-Rite International (U.S.)Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
Test-Rite Int'l (Canada) Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Tracy Pang	0	0.00
		Huei-Ming Annie Wang	0	0.00
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00
		Robin Ho	0	0.00
		Ian Colin Payne	0	0.00
TEST-RITE (UK) LTD.	Director	Judy Lee	0	0.00
		Robin Ho	0	0.00
		Sophia Teng	0	0.00
		Chester Lee	0	0.00
Test-Rite Development GmbH	Director	None	0	0.00
Test-Rite Star Co., Ltd.	Director	Tony Ho	0	0.00
Test-Rite Retailing Co., Ltd.	Director	Tony Ho	0	0.00
Test-Rite Trading Co., Ltd.	Director	Tony Ho	0	0.00
Fortune Miles Trading Inc.	Director	Judy Lee	0	0.00
Upmaster International Co., Ltd.	Director	Tony Ho	0	0.00
		Judy Lee	0	0.00

8.1.4 Affiliates' Operating Highlights

As of 12/31/2018
(Unit: NT\$ thousands, except EPS (\$))

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test Rite Int'l Co., Ltd.	5,098,875	15,929,919	8,592,065	7,337,854	18,008,799	194,296	406,493	0.80
Test-Rite Retail Co., Ltd.	1,000,000	9,034,599	5,849,794	3,184,805	15,280,901	385,814	352,460	3.52
Test-Rite Home Service Co., Ltd.	86,000	288,051	167,128	120,923	717,695	29,859	32,615	3.79
Hola Home furnishings Co., Ltd.	600	133	0	133	0	(50)	(50)	(0.83)
Testrite Brand Agency Co., Ltd.	430,226	578,381	164,867	413,514	710,624	(38,412)	(8,828)	(0.21)
Test Rite C&B Co., Ltd.	330,000	311,975	182,183	129,792	250,166	(58,040)	(41,896)	(1.27)
Chung Cin Enterprise Co., Ltd.	453,440	1,844,246	877,732	966,514	744,057	104,561	129,100	2.85
Tony Construction Co., Ltd.	230,000	439,162	111,990	327,172	708,235	5,657	7,244	0.31
Test Cin M&E Engineering Co., Ltd.	80,000	184,914	45,856	139,058	171,268	24,245	21,135	2.64
Chung Cin Interior Design Construction Co., Ltd.	12,000	74,957	28,816	46,141	148,389	14,217	11,888	9.91
Viet Han Co, Ltd.	0	468,380	109,807	358,573	0	(126)	962	0
Test Cin International Co., Ltd.	10,000	10,145	1,335	8,810	0	(1,487)	(1,190)	(1.19)
Youmei Enterprise Co., Ltd.	15,000	51,445	17,245	34,200	122,611	24,161	19,200	12.80
Hand-on Lighting Co., Ltd.	30,000	39,259	8,784	30,475	42,449	596	445	0.15
B&S Link Co., Ltd.	23,000	20,694	0	20,694	0	(1,807)	306	0.13
Home Intelligence Co., Ltd.	15,000	17,292	3,249	14,043	15,000	2,079	2,084	1.39
Lih Teh International Co., Ltd.	50,000	81,623	510	81,113	0	(5,886)	(697)	(0.14)
Lih Chiou Co., Ltd.	3,884,140	4,411,724	3,950	4,407,774	0	(10,222)	231,772	0.60
Fusion International Distribution, Inc.	9,998	19,303	5,142	14,161	19,787	(898)	(318)	(0.32)
International Art Enterprise Co., Ltd.	10,000	71,851	35,007	36,844	270,651	15,142	10,164	10.17

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test-Rite Pte Ltd.	39,362	58,196	4,595	53,601	41,987	4,667	4,387	2.08
Test-Rite Viet Nam Co., Ltd.	25,488	4,874	3,030	1,844	0	0	5	-
Test-Rite Products (Hong Kong) Limited	3,914	34,390	243	34,147	3,230	(1,669)	(1,361)	(136.11)
Test-Rite International (U.S.)Co., Ltd.	1,625,124	2,674,066	1,886,461	787,605	4,134,483	51,696	(6,293)	(1,190.02)
Test-Rite Int'l (Canada) Ltd.	45,345	1,222	113	1,109	0	(536)	(468)	(4,682.71)
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED	76,671	1,491	174	1,317	0	(388)	(388)	(0.11)
TEST-RITE (UK) LTD.	30,053	46,638	623	46,015	17,334	2,565	2,012	2.59
Test-Rite Development GmbH	339,028	1,267,863	598,438	669,425	1,700,514	(73,840)	(8,042)	(0.83)
Test-Rite Star Co., Ltd.	33,468	2,545	0	2,545	0	(68)	(68)	(0.06)
Test-Rite Retailing Co., Ltd.	3,426,146	1,586,831	2,372,374	(785,543)	2,787,631	(250,702)	(476,356)	(4.27)
Test-Rite Trading Co., Ltd.	2,479,200	2,332,112	1,171,885	1,160,227	1,033,070	25,584	11,871	0.15
Fortune Miles Trading Inc.	922	766	0	766	0	(42)	(42)	(1.40)
Upmaster International Co., Ltd.	196,691	88,859	0	88,859	0	(68)	(593)	(0.09)

8.1.5 Consolidated financial statements of affiliated enterprises

Statement of Declaration

For fiscal year 2018 (January 1 to December 31, 2018), the affiliated enterprises that should be incorporated into the Company's consolidated financial statements pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and those that should be incorporated similarly in accordance with Statement of International Financial Reporting Standards No. 10 are in fact the same companies, and the relevant information required to be disclosed in the consolidated financial statements of affiliated enterprises have already been disclosed in the aforementioned consolidated financial statements of parent and subsidiaries. Therefore there is no need to prepare consolidated financial statements separately for the Company's affiliated enterprises. The above is hereby declared.

Test Rite International Co., Ltd.
Chairman : Judy Lee
March 26, 2019

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

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

8.4 Other Necessary Supplement: None.

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

IX. Any Events in 2018 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.