



Test Rite International Co., Ltd.

2019 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System :

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

Test Rite's Annual Report is available at

<http://www.testitegroup.com>

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I. Letter to Shareholders

Dear shareholders,

Looking back on 2019, Test-Rite reported revenue of NT\$38.1 billion with -4.6% YoY, caused by HOLA's store closing and withdrawal from China, a net profit of NT\$100 million and the basic EPS is NT\$0.2. The Board has approved management's proposal to distribute a cash dividend of NT\$0.71 per share from capital surplus.

The NT\$19.2 billion in consolidated revenue reported by our trading business in 2019 represented a 1.6% decrease from the previous year. The impact of a high base due to pre-stocking activities by major customers in 2018 in response to the U.S.-China trade war was evident. The intensification of tensions between the U.S. and China saw trade shipments dipping to NT\$32.3 billion in 2019. However, our U.S. trade agency business remained solid, as evidenced by the 7.5% increase in shipments to a key customer, HD Supply. In light of an evolving international environment, Test-Rite is staying the course and putting into place strategies to keep the trading business growing steadily. These include deepening the southbound supply chain policy, diversifying global sourcing, constructing a second warehouse in the U.S., and providing customers with high value-added services and products.

Our Taiwan retail business reported revenue of NT\$16.2 billion in 2019, which was 1.7% lower than in 2018. According to Taiwan's Department of Statistics, total sales in two housing-related industries, namely Housing Products and Accessories and Construction Materials, fell by 0.3% and 5.8%, respectively, in 2019. Conditions for the housing-related segment of the retail market remain challenging. In response, we have intensified our customer-centric strategies through the integration of online and offline channels, stepped up efforts to bolster online sales, and leveraged new technologies to strengthen consumers' shopping experience in our physical stores. With a new retail business model well in place, our TR Plus website registered revenue in excess of NT\$1 billion in 2019, up by 18.5% YoY. Meanwhile, starting in 3Q19, our TLW channel further reinforced its engagement with local communities through the introduction of small-format stores in providing residents with access to high-quality home goods and services. We remain poised to fulfil the full potential of all our retail channels.

As of the end of 2019, Test-Rite Group operated 27 TLW (DIY) stores, 26 HOLA stores, 2 Crate & Barrel stores, and 9 hoi! stores in Taiwan.

The following is Test-Rite's consolidated operating results in 2019, along with the business plan for the year and future business strategies. We also discuss the potential impact of external competition, government regulations, and the macroeconomic environment.

1. Operating result for 2019

(1) Operating result based on the business plan for 2019 (consolidated):

(NT\$ mn)	2019	2018	YoY Change by Value	YoY Change (%)
Net sales	38,061	39,898	(1,837)	(4.6%)
COGS	27,752	29,637	(1,885)	(6.4%)
Gross profit	10,309	10,261	48	0.5%
Operating expense	9,453	9,778	(325)	(3.3%)
Operating profit	857	483	374	77.4%
Non-operating profit/(loss)	(765)	(137)	628	458.4%
Net profit before tax	91	346	(255)	(73.7%)
Net profit after tax	112	419	(307)	(73.3%)
Recurring net profit attributed to TRIC	100	406	(306)	(75.4%)

(2) Operating result based on the business plan for 2019 (standalone):

(NT\$ mn)	2019	2018	YoY Change by Value	YoY Change (%)
Net sales	17,289	18,009	(720)	(4.0%)
COGS	14,657	15,277	(620)	(4.1%)
Gross profit	2,632	2,732	(100)	(3.7%)
Operating expense	2,485	2,538	(53)	(2.1%)
Operating profit	147	194	(47)	(24.2%)
Non-operating profit/(loss)	(190)	34	(224)	(658.8%)
Net profit before tax	(44)	229	(273)	(119.2%)
Net profit after tax	100	406	(306)	(75.4%)

(3) Key balance sheet and profitability metrics (consolidated)

Item/Year		2019	2018	YoY Change (%)
Balance Sheet	Total Liability/Total Asset	82.0%	71.5%	10.5%
	Current Ratio	113.0%	110.9%	2.1%
Profitability	ROE	1.5%	5.4%	(3.9%)
	Net Margin	0.3%	1.0%	(0.7%)
	EPS	0.2	0.8	(75%)

2. 2020 business plan and future development strategies

(1) Business plan and managerial principles:

A. Retail Business

- Strengthen marketing communications, expand product sales, and increase Customer flow.
- Focus on the community, serve residents in the neighborhood, and increase the Penetration rate of members in all regions.
- Continue to co-brand with brands to launch unique products.
- Connect the social commerce, expand virtual and real operating platforms, Strengthen online and offline channels, and expand sales levels.
- Focus on expanding existing brands on hand.
- Continue to improve interactive services and customer experience and optimize Customer adhesion further.

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 develop the new categories (intelligent and automated products) and Strengthens product specialization and differentiation.
- Maintain strategic cooperation with our vendors and strengthen the supply chain.
- Strengthen global sourcing capabilities, deepen the southbound supply-chain Strategic policy and diversify procurement sources in response to the impact of the U.S.-China trade war.
- Deepen QAQC activities for internal and external customer services.

(2) Future development strategies:

A. Retail Business

- Reinforce product portfolio and develop personalized and functionally differentiated products.
- Continue to introduce well-known and reputable products and brands.
- Develop communities, provide services, be attentive to consumer demands, and leverage more innovative services.
- Enhance customer experience in retail stores.
- Increase online sales and introduce new retail technologies in stores to optimize Customer experience.

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.
- Fortify existing relationships with customers in both our principal and agency businesses and aggressively pursue potential business opportunities.

- Continue to promote a global supply-chain strategy in response to an evolving trading environment worldwide.
- Seek M&A opportunities in the trade and retail businesses to complement organic growth of existing businesses.

3. Potential impact of external competition, government regulations, and the macroeconomic environment

The total number of houses transferred in 2019 increased by 8% YoY to 302,000. Supported by the peak season of house purchases towards year-end, and undaunted by the general elections, the housing market closed the year on a solid footing. Initially, the housing market was expected to maintain a moderate growth trend with the benefit of an increase in the basic wage, strong fundamentals of Taiwan's stock market, and the impact of Taiwanese investors returning to Taiwan. However, the COVID-19 epidemic brought about heightened volatility to real estate transactions. According to a report from the Institute of Economics of Academia Sinica, Taiwan's domestic demand will continue to benefit from trade transfers investment repatriation in 2020. However, due to the impact of trade wars and the COVID-19 epidemic, real economic growth is expected at a rate of 2.58%. While domestic demand remains vulnerable to global events, our retail business continues to focus on the things we have influence over in 2020, such as further development of omni retail channels, differentiated products and innovative services so as to secure our leading position in Taiwan.

Looking back at the international economic situation in 2019, the momentum of global economic growth weakened perceptibly. However, Taiwan benefited from trading transfers, returning Taiwanese investment and semiconductor equipment production, bolstering the growth in domestic demand. Taiwan's GDP growth rate increased by 2.62% in the year. In the foreign trade sector, imports reduced noticeably due to the return of production lines to Taiwan as well as a boost in the export ICT and audiovisual equipment and electronic components. With the assistance of emerging technologies development and 5G construction technology, the growth power of exports will likely be maintained in 2020. The IMF and OECD downgraded their expectations for global economic growth and trade volumes in 2020, reflecting their cautious outlook. Despite a temporary truce between the U.S. and China, issues around intellectual property rights, technological competition, and trade structures are insoluble in the short term. In addition, a cyclical economic slowdown in the U.S. and structural reforms and risks to financial system debt in China will bring more uncertainty to the global economy in 2020. Considering these risk factors, we continue to focus on reinforcing our core competitiveness in the trade sector.

In the wake of an economic slowdown and the impact of the trade war with the U.S., China's economic growth rate of 5.9% in 2019 was the lowest in 30 years. Under pressure from weak domestic and foreign demand due to tariffs, China's government introduced a series of measures to boost economic growth over the past two years. In 2020, the Chinese Academy of Sciences expects that China's economic growth rate will decrease at first, then rise, before steady progress in the context of slow global economic growth. Although China is currently facing an economic slowdown, it still plays a critical role in the global trade supply chain.

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 return 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

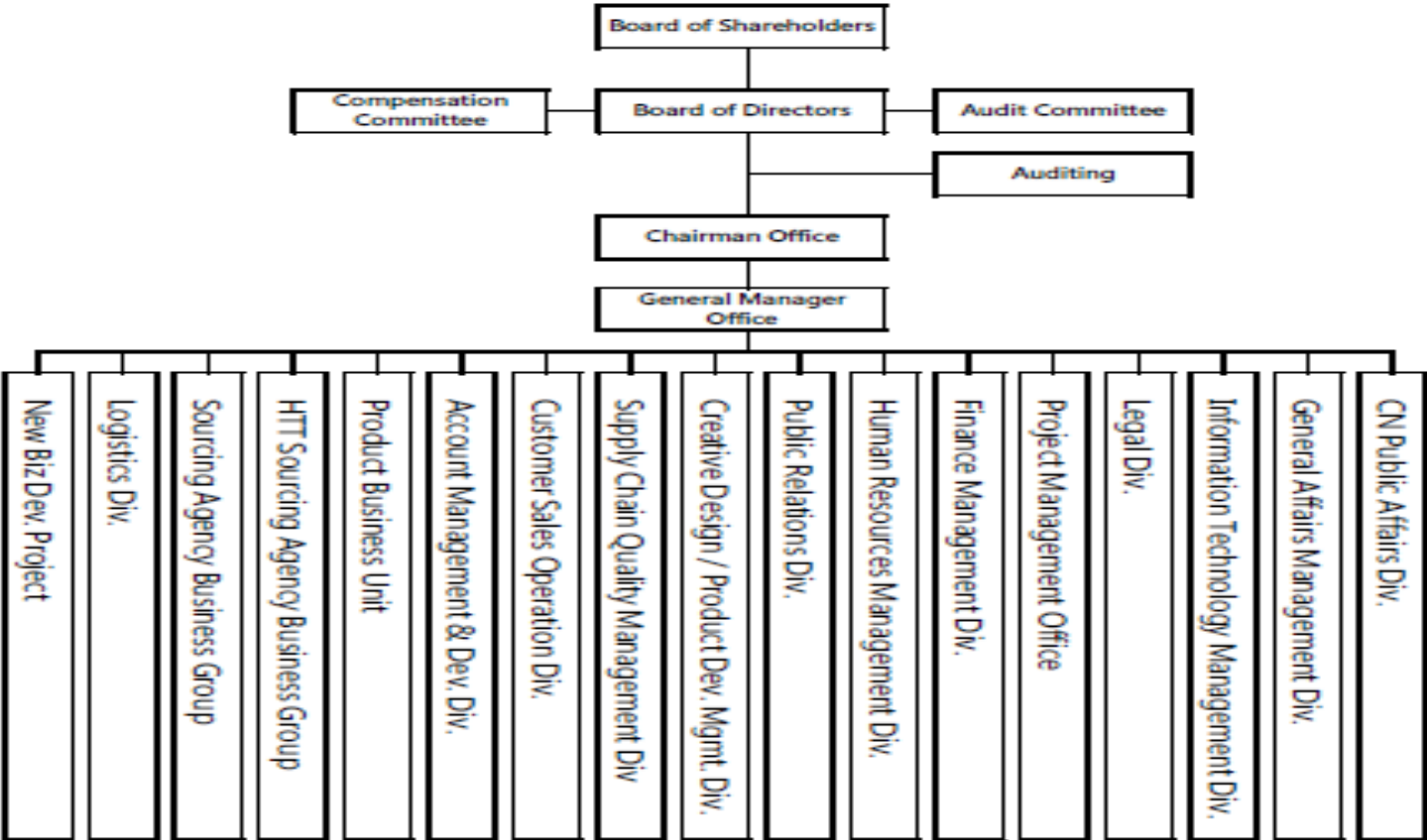
2.2 Company History

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 Taichung 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”.
2019	HOLA China announced that it would accelerate the closing of stores.

III. Corporate Governance Report

3.1 Organization Systematic

3.1.1 Organization Systematic 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.
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 Group	Promote the agency business and search service.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

As of April 19, 2020

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			備註
							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	5.04	38,995,550	7.65	0	0.00	President of Test Rite Int'l Co., Ltd.; Director of Test Rite Retail Co. Ltd. ; Director of Tong Long Metal Industry Co., Ltd. ; Department of Bank and Insurance/ Tanking 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	7.65	25,711,294	5.04	0	0.00	Chairman of Test Rite Int'l Co., Ltd.; Chairman of Test Rite Retail Co. Ltd.; Chairman of Tong Long Metal Industry Co., Ltd.; National Taiwan University & Furan University/EMBA Classes	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	385,000	0.08	0	0.00	COO of Test Rite Int'l Co., Ltd.; Department of Business/ Management University of Southern California; MBA of Fujian 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	709,083 0	0.14 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; CPA 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; National Chengchi University Finance graduate school master.	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 Technology; Dean of Graduate Institute of Human Resource and Knowledge ; 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 Takoma Technologies, Inc.; Alliant International University, 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			備註
							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 company Taiwan 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 Sinopec, and credit committee and risk management committee member at Bank Sinopec · Drexel University/Master Finance in Philadelphia.	Note 7	-	-	-	

Note:

1. Director of Test Rite Retail Co., Ltd. · Director of Test-Rite Home Service Co., Ltd. · Director of Testrite Brand Agency Co., Ltd. · Director of Test Rite C&B Co., Ltd. · Director of Chung Cin Enterprise Co., 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 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 · Supervisor of Quality Master Co., Ltd.
2. Chairman of Test Rite Retail Co., Ltd. · Director of Test-Rite Home Service Co., Ltd. · Chairman of HOLA Homefurnishings Co., Ltd. · Chairman of Testrite Brand Agency Co., Ltd. · Chairman of Test Rite C&B Co., Ltd. · Chairman of Chung Cin Enterprise Co., Ltd. · Chairman of Lih Teh International Co., Ltd. · Chairman of Lih Chiou Co., Ltd. · Chairman of Fusion International Distribution Inc. · Chairman of 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.
3. Director of Test Rite Retail 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 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 · Director of Quality Master Co., Ltd.
4. Independent Director of Garnd Pacific Petrochemical Corporation · Independent Director of Advantetek Enterprise Co., Ltd. · Independent Director of Hiyes International Co., Ltd.
5. 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 · Director of Chinese Management Association.
6. 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 School · Advisors of Taipei City Government · Member of Level Biotechnology Inc Committee · Member of Research Development and Evaluation Commission Kaohsiung City Government · Member of Level Biotechnology Inc Remuneration Committee. · Member of Level Biotechnology Inc. Audit Committee · Independent Director of Level Biotechnology Inc.
7. 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 19, 2020

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

Professional qualifications and independence analysis of directors and supervisors

As of April 19, 2020

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Criteria	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	11		12
Ms. Judy Lee			✓							✓			✓		✓	✓	0
Mr. Tony Ho			✓						✓	✓			✓		✓	✓	0
Ms. Robin Ho			✓							✓	✓		✓		✓	✓	0
Mr. Yung-Chi Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Mr. Ting-Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
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.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- 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.
- 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.
- Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the

Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

7. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law
12. 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 19, 2020

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			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Strategy and new business development CEO	Republic of China	Tony Ho	Male	1975.09.01	38,995,550	7.65%	25,711,294	5.04%	0	0.00%	President of Test Rite Int'l Co., Ltd.; National Taiwan University & Furan University/EMBA Classes	Note 1	Corporate governance and risk control CEO Chief Operating Officer (COO)	Judy Lee Robin Ho	Spouse Family	
Corporate governance and risk control CEO	Republic of China	Judy Lee	Female	1975.09.01	25,711,294	5.04%	38,995,550	7.65%	0	0.00%	President of Test Rite Int'l Co., Ltd.; Department of Bank and Insurance/ Tanking University	Note 2	Strategy and new business development CEO Chief Operating Officer (COO)	Tony Ho Robin Ho	Spouse Family	
Chief Operating Officer (COO)	Republic of China	Robin Ho	Female	2009.5.1	1,949,579	0.38%	385,000	0.08%	0	0.00%	VP of Test Rite Int'l Co., Ltd.; MBA, Fujian Catholic University	Note 3	Strategy and new business development CEO Corporate governance and risk control CEO	Tony Ho Judy Lee	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 Chan College	-	-	-	-	
Vice President	Republic of China	John Peng	Male	1998.9.1	313,955	0.06%	0	0%	0	0.00%	Product Manager of Test Rite Int'l Co., Ltd.; Yangmei Senior high school	Note 4	-	-	-	
Vice President	Republic of China	Lawrence Wu	Male	2007.3.1	50,668	0.01%	0	0.00%	0	0.00%	AVP of B&Q International Co., Ltd.; Keelung Maritime Vocational High School	Note 5	-	-	-	
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	-	-	-	-	

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			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
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 Chua College	Note 6	-	-	-	
Vice President	Republic of China	Ted Ho	Male	2014.7.4	30,000	0.01%	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 Chine College	-	-	-	-	
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 Pinang Enterprise Ltd.; Shilling 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 Chine 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.; Tung Hai University MBA	Note 7	-	-	-	
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.; Tanking University/ department of economics	-	-	-	-	

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			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	Republic of China	Agnes Shih	Female	2019.1.1	8	0.00%	0	0.00%	0	0.00%	Chinese Culture Univar Department of Korean Language and Literature	-	-	-	-	
Vice President	Republic of China	James-KJ Chen	Male	2019.12.2	0	0.00%	0	0.00%	0	0.00%	Director of Taiwan External Trade Development Council Tanking University/ department of international trade	-	-	-	-	
Vice President	Republic of China	Sabrina Kuo	Female	2020.2.20	0	0.00%	0	0.00%	0	0.00%	MediaTekInc Soochow University Dept. of Business Administration a Master's	-	-	-	-	
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	-	-	-	-	
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	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, Tanking 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	-	-	-	-	

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			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											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	-	-	-	-	
Director	Republic of China	Elaine Shih	Female	2019.5.20	0	0.00%	0	0.00%	0	0.00%	Manager of Test Rite Int'l Co., Ltd. Chunky University of Film and Arts /department of international trade	-	-	-	-	
Director	Republic of China	Melody Wu	Female	2019.6.3	204,991	0.04%	0	0.00%	0	0.00%	Senior Manager of Test Rite Int'l Co., Ltd. Tanking University/ department of Industrial Economics	-	-	-	-	
Director	Republic of China	Noelia.Lu	Female	2019.9.2	803	0.00%	0	0.00%	0	0.00%	Purchase Director of JASONS Market Place Tanking University/ department of Spanish	-	-	-	-	
Director	Republic of China	Terrisa Lee	Female	2019.12.2	0	0.00%	0	0.00%	0	0.00%	Vietnam Fortress Tools JSC Senior Business Unit Director University of British Columbia Department of Business Administration a Master's	-	-	-	-	

Note :

- 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
- Director of Test Rite Retail 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 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 Pro-Quality Service Limited Corporation ` Chairman of Energy Retailing Co., Ltd. ` Chairman of Test Rite (China) Investment 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 ` Supervisor of Quality Master Co., Ltd.
3. .Director of Test Rite Retail 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 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. ` 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 ` Director of Quality Master Co., Ltd.
4. Supervisor of Test Rite Business Development Corporation (China) Co., Ltd. ` Supervisor of B&S Link (Shanghai) Co., Ltd. ` Supervisor of Test Rite (China) Investment Co., Ltd ` Supervisor of HOLA Shanghai 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 Pro-Quality Service Limited Corporation ` GM of Energy Retailing Co., Ltd.
5. Director of Test Rite South America Co., Ltd.
6. Supervisor of Test Rite Retail Co., Ltd. ` Supervisor of Test-Rite Home Service Co., Ltd. ` Supervisor of Testrite Brand Agency Co., Ltd. ` Supervisor of Test Rite C&B Co., Ltd. ` Supervisor of Chung Cin Enterprise Co., Ltd.
7. Supervisor of Lih Teh International Co., Ltd., ` Supervisor of Pro-quality Service Co., Ltd. ` Supervisor of Lih Chiou Co., Ltd.
 Supervisor of B&S Link Co., Ltd. ` Syoervisor of Home Tech Co., Ltd. ` Superisor of International Art Co., Ltd. ` Superisor of Hola Homefurnishings Co., Ltd.

3.3 Remuneration of Directors, President, and Vice Presidents

3.3.1 Remuneration of Directors

As of Dec. 31, 2019 : 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						
Chairman	Ms. Judy Lee	1,750	1,750	0	0	0	0	624	642	2.37%	2.38%	15,842	48,806	108	108	0	0	0	0	18.26%	51.12%	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																					

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

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
Under NT\$ 1,000,000	Ms. Judy Lee 、 Mr. Tony Ho 、 Ms. Robin Ho 、 Mr. Ting-Yang Liu 、 Mr.Yung-Chi Lai 、 Ms. Jo Yeh 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen	Ms. Judy Lee 、 Mr. Tony Ho 、 Ms. Robin Ho 、 Mr. Ting-Yang Liu 、 Mr.Yung-Chi Lai 、 Ms. Jo Yeh 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen	Mr. Ting-Yang Liu 、 Mr.Yung-Chi Lai 、 Ms. Jo Yeh 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen	Mr. Ting-Yang Liu 、 Mr.Yung-Chi Lai 、 Ms. Jo Yeh 、 Property Int'l Co., Ltd. Representative : Mr. Wen-Tzong Chen
NT\$1,000,000 ~ NT\$2,000,000				
NT\$2,000,000 ~ NT\$3,500,000	-	-	Mr. Tony Ho	-
NT\$3,500,000 ~ NT\$5,000,000	-	-	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-	Ms. Judy Lee 、 Ms. Robin Ho	Ms. Robin Ho
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
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	7	7	7	7

Note 1: Resigned in 2018/06/19

3.3.2 Compensation of President and Vice Presidents

As of Dec. 31, 2019 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	93,678	133,666	3,930	3,930	15,920	15,920	0	0	0	0	113.13	152.97	0
CEO of Corporate Governance and risk management	Judy Lee													
President	Sophia Tong													
Chief Operating Officer (COO)	Robin Ho													
Business Development General Manager	Shelly Chen													
Vice President	Jane Peng													
Vice President	Lawrence Wu													
Vice President	Bob Yueh													
Vice President	Edward Kao													
Vice President	CC Fan													
Vice President	Maggy Chen													
Vice President	Linda Lin													
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	Agnes Shih*													
Vice President	James-KJ Chen*													
Business Development General Manager	Eric Lin**													
Vice President	Paul Wang**													
Vice President	Gillian Joe**													

* VP Agnes Shih joined in Jan 2019; VP James-KJ; Joined in Dec 2019.

** Business Development General Manager Eric resigned in Oct 2019; VP Paul Wang resigned in Feb 2019; VP Gillam Joe resigned in Jul 2019

Bracket	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	James-KJ Chen	James-KJ Chen
NT\$1,000,000 ~ NT\$2,000,000	Paul Wang	Paul Wang
NT\$2,000,000 ~ NT\$3,500,000	Tony Ho 、 John Peng 、 Linda Lin 、 Ted Ho 、 Lancy Wu 、 Monica Chen 、 Jamie.Kuo 、 Jennie Hsu 、 Agnes Shih 、 Gillian Joe	John Peng 、 Linda Lin 、 Ted Ho 、 Lancy Wu 、 Monica Chen 、 Jamie.Kuo 、 Jennie Hsu 、 Agnes Shih 、 Gillian Joe
NT\$3,500,000 ~ NT\$5,000,000	Shelly Chen 、 Lawren Wu 、 Bob Yueh 、 Edward Kao 、 CC Fan 、 Maggy Chen 、 Eddie Wei 、 Lori Huang 、 Eric Chang	Shelly Chen 、 Lawren Wu 、 Bob Yueh 、 Edward Kao 、 CC Fan 、 Maggy Chen 、 Eddie Wei 、 Lori Huang 、 Eric Chang
NT\$5,000,000 ~ NT\$10,000,000	Judy Lee 、 Robin Ho 、 Charlene.Kao 、 、 Eric Lin	Robin Ho 、 Charlene.Kao 、 Eric Lin
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	Sophia Tong	Judy Lee 、 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	26	26

3.3.3 Employee bonuses of Managers

As of Dec. 31, 2019; 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	0	0	0%
	CEO of Corporate Governance and risk management	Judy Lee				
	President	Sophia Tong				
	Chief Operating Officer (COO)	Robin Ho				
	Business Development General Manager	Shelly Chen				
	Vice President	John Peng				
	Vice President	Lawrence Wu				
	Vice President	Bob Yueh				
	Vice President	Edward Kao				
	Vice President	CC Fan				
	Vice President	Maggy Chen				
	Vice President	Linda Lin				
	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	Agnes Shih*				
	Vice President	James-KJ Chen*				
	Business Development General Manager	Eric Lin**				
	Vice President	Paul Wang**				
	Vice President	Gillian Joe**				
	Director	Alex Yu				
	Director	Austin Lin				
	Director	Johnson Lee				
	Director	Hampfrey Wang				
	Director	Jenny Chen				
	Director	Celine Hsien				
	Director	Ya-Pei Kang				
Director	Bruce Shen					
Director	Antyia Tsai					
Director	Harrison Yang					
Director	Greg Chang*					
Director	Elaine Shih*					
Director	Melody Wu*					
Director	Noelia Lu*					
Director	Terrisa Lee*					

*VP Agnes Shih joined in Jan 2019; VP James-KJ Joined in Dec 2019; Dir Greg Chang joined in Feb 2019; Dir Elaine Shih Joined in May 2019; Dir Melody Wu Joined in Jun 2019; Dir Noelia Lu Joined in Sep 2019; Dir Terrisa Lee Joined in Dec 2019.

**Business Development General Manager Eric resigned in Oct 2019; VP Paul Wang resigned in Feb 2019; VP Gillan Joe resigned in Jul 2019

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

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	
	2018	2019
Directors	13.15%	51.12%
Supervisors	0.12%	NA
Presidents and Vice Presidents	38.67%	152.97%

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 board of directors 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

3.41 Board of Directors

A total of 10 meetings of the board of directors were held in the previous period (Year 2019). Director attendance was as follows :

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Chairman	Ms. Judy Lee	10	0	100%	
Director	Mr. Tony Ho	6	4	60%	
Director	Ms. Robin Ho	10	0	100%	
Director	Property International Company Limited Representative: Mr. Wen-Tzong Chen	10	0	100%	
Independent Director	Mr. Ting-Yang Liu	10	0	100%	
Independent Director	Mr. Yung-Chi Lai	10	0	100%	
Independent Director	Ms. Jo Yeh	6	4	60%	

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 : Matters are not applicable since the Company has already established an Audit Committee.

(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, abuses 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 2018.	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.	Directors of the were recused from the discussion and voting . All other directors in attendance passed the motion without objection.
Mr. Ting-Yang Liu	To remove directors non-competition clause.	Remove Ting-Yang Liu exercised measures to avoid a conflict of interest, as they also serve as other company directors.	Directors of the were recused from the discussion and voting . All other directors in attendance passed the motion without objection.
Ms. Robin Ho	Passed the managerial officer's salary adjustment for 2019.	Director Robin Ho exercised measures to avoid a conflict of interest, as they also serve as managers.	Directors of the were recused from the discussion and voting , All other directors in attendance passed the motion without objection.

All directors	Motion for the distribution of compensation to the Company's directors for 2018.	Assessment of supervisory compensation for each of the directors , Each director will on an individual basis avoid conflicts of interest.	Directors of the were recused from the discussion and voting , All other directors in attendance passed the motion without objection.
Mr.Yung-Chi Lai Mr. Ting-Yang Liu Ms. Jo Yeh	Annual remuneration distribution of members of the company's functional committee	Three directors shall not participate in the discussion and voting on the proposal as they act as representatives of the Committee.	Directors of the were recused from the discussion and voting , All other directors in attendance passed the motion without objection.
Ms. Judy Lee Mr. Tony Ho Ms. Robin Ho	Motion for the Company's 2018 managerial profit-sharing for employees and 2019 year-end bonus allocation.	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.	Directors of the were recused from the discussion and voting , All other directors in attendance passed the motion without objection.

3. Self-evaluation Board of Directors :

Frequency of evaluation	Duration of evaluation	Scope of evaluation	Method of evaluation	Contents of evaluation
One per Year	2019.1.1~ 2019.12.31	Evaluation of performance by the board of directors	The self-evaluation by the board of directors	The extent of participation in the company's business operations, board composition & structure of the board of directors, appointment and continued refresher and higher education programs for directors, internal control system.
One per Year	2019.1.1~ 2019.12.31	Evaluation of performance by the individual board of directors members	Individual self-evaluation by the directors	Domination of the Company's targets and duties, awareness of director responsibilities and powers, extent of participation in the Company's business operation, management and communications of the internal relationship, profession and continued refresher and higher education program of directors, internal control system.
One per Year	2019.1.1~ 2019.12.31	Evaluation of performance by the board of functional	The self-evaluation by the	Domination of the Company's targets and duties, awareness

		committee(s)(Audit committee & companion committee)	of Audit committee & companion committee members	of the Committee members on responsibilities and powers, extent of participation in the Company's business operation, management and communications of the internal relationship, expertise of Committee members and continued refresher and higher education program, internal control system.
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4. Measures taken to strengthen the functionality of the Board :

- (1) The composition of the Company's Board of Directors is in terms of diversity, professional knowledge and skills, and independence and gender equality, in accordance with the Company's Code of Governance and the regulations pertaining to the election of directors.
- (2) The Company has established an Audit and Compensation Committee to exercise the relevant powers and functions as prescribed by law, and the Board of Directors, through the division of labor among functional committees, actively strengthens the functions of the directors to implement corporate governance.
- (3) On April 24, 2019, the Board of Directors approved the establishment of standard operating procedures for handling directors' requests and appointed Senior Vice President Linda Lin with extensive experience in financial and accounting management as the head of corporate governance. She is responsible for supervising and implementing corporate governance operations, coordinating information exchange between directors and managerial departments, providing directors with the necessary information to carry out business and performing their duties, and enhancing the effectiveness of the Board.
- (4) The Company arranges for the responsible manager to report to the Board on the status of the development strategies and ad-hoc implementation of the Test Rite Group.
- (5) In order to implement the spirit of corporate governance and effectively enhance the transparency of information, the Company fully discloses operational and financial information in annual reports, on its corporate website, and on M.O.P.S., and hosts investor conference the irregularly.
- (6) To encourage directors to participate actively in various corporate governance courses, the Company also arranges lecturers to provide lessons at the Company to enrich their knowledge on an ongoing basis.
- (7) In order to implement corporate governance and enhance the function of the Board of Directors, the Company has established performance objectives to strengthen the operational efficiency of its Board, and in accordance with the Company's Board Performance Evaluation Method, the performance evaluation of the Board of Directors, Board members, and functional committees is performed at the beginning of each year.

3.4.2 Attendance of directors were held for Audit Committee Meetings

2019 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	10	100%	
Independent Director	Mr. Ting-Yang Liu	10	100%	
Independent Director	Ms. Jo Yeh	7	70%	

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 :

Directors' meetings	the details of meeting agenda	Resolution of the Audit Committee	Audit Committee Resolution and the Company's response to the Audit Committee
2019.01.24	To approve the indirect investments to Test-Rite Products Corp. through our subsidiary, Test-Rite International (U.S.)Co., Ltd.	N	Audit Committee :all participating
2019.03.26	Passed the motion for the statement of the Company's internal control system for 2018. Reported on Test Rite Co, Ltd.'s Operational highlights and consolidated financial results for 2018. Passed the motion for profit-sharing for 2018. Passed the motion to issue common stock to raise capital through the book building method. Passed the motion for amendment of Procedures for Endorsement and Guarantee. Passed the motion for amendment to Procedures for Lending Funds to Others. Passed the motion for amendment of Procedures for Engaging in Derivatives Trading. Passed the motion for amendment to Procedures for Acquisition and Disposal of Assets. Removal of directors' and their representatives' non-compete restrictions.	N	Committee members without an objection, and submitted to the board of directors for final decision. board of directors : Directors approved the proposal unanimously.
2019.05.13	Passed the remuneration of the consolidated financial results for Q1 2019.	N	
2019.07.01	Passed to invest in a new 100% owned subsidiary in Vietnam to purchase a new office. Passed to invest in a new 100% owned subsidiary in Vietnam to purchase industrial land. Passed to capital injection in Chung Cin Enterprise Co., Ltd.	N	
2019.08.02	Passed to close some stores of reinvested subsidiary which are Hola Shanghai Retail & Trading Co., Ltd 、 Hola Beijing Retail & Trading Co., Ltd. 、 Hola Shanghai Living Art Retailing Co., Ltd.	N	
2019.08.12	Passed the remuneration of the consolidated financial results for Q2 2019.	N	
2019.11.12	Passed the remuneration of the consolidated financial results for Q3 2019. Passed to capital injection in Test Rite Retailing Co., Ltd.	N	
2019.12.20	Passed the motion for the Company's operational plan and budget for 2020. 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 2019 Q4.	N	

(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' name, the motion's content and the reason for personal interest avoidance and the participation of voting :

Directors' meetings	Independent Director	Content of proposal	Reason for abstention from voting participation	The result for each motion
2019.03.26	Mr. Ting-Yang Liu	To remove directors non-competition clause.	Disqualification of Independent Director Liu Ting-Yang because of avoidance of Conflicts of Interest as a director of other companies.	Non participating in the discussion and voting

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.
- (c) On March 12, 2019, the independent directors communicated with the certified public accountants and the head of internal audit on the Key Audit Matters in the 2018 financial report and the forthcoming new regulations.

4. Annual key functions and operations :

(1) Annual key functions

- 1 、 Audit amendments to the internal control system.
- 2 、 Audit of the effectiveness of the internal control system.
- 3 、 Audit amendments to the Acquisition and Disposal ,Engaging in Derivatives Trading, Lending Funds to Others , the handling procedures for financial or operational actions of material significance.
- 4 、 Audit of the Major asset or derivatives trading 、 Lending Funds or Endorsement and Guarantee.
- 5 、 Audit the offering, issuance, or private placement of any equity-type securities.
- 6 、 Audit the independence, suitability assessment and appointment of a certified public accountant.
- 7 、 Audit appointment or discharge of a financial, accounting, or internal auditing officer.
- 8 、 Audit of the financial report.
- 9 、 Communicate of internal audit report with the head of internal audit.
- 10 、 Communicate the results of annual financial statement audits and other statutory requirements, etc. with certified public accountants.

(2) 2018 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

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 it’s 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. Presently, the Company’s Board of Directors consists of 7 members. With 3 independent directors accounting for 3/7 and 4 external directors accounting for 4/7 over half of our Board. 3 of the 7 are female directors. In order to ensure that the independent	Compliance

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>directors can exercise their duties objectively and avoid their independence being reduced by their long tenure, the independent directors elected have not served for more than 9 consecutive years. The current board members generally possess the necessary knowledge, skills and qualities to perform their duties, and have a wealth of professional knowledge and practical experience in industry, corporate management, finance, taxation and accounting, and human resources so as to give full play to operational decision-making, risk supervision and management and effective performance of directors’ functions.</p> <p>(2) Corporate governance related functions have been carried out by the Board of Directors and the Compensation Committee respectively, and other functional committees have been planned.</p> <p>(3) On November 9, 2017, the Board of Directors approved the establishment of the Board of Directors performance evaluation method and its evaluation method. The execution of the Board of Directors performance evaluation is conducted by the financial department. The Board of Directors conducts an internal evaluation at the end of each year and reports the results of the performance evaluation before the first quarter of the following year. The performance evaluation letter of the Board of Directors consists of 5 major aspects, while the performance evaluation letter of the Board members consists of 6 major aspects. The evaluation results are divided into 4 levels: Excellent, Grade A, Fair, and Improvement Required. The Company completed the 2019 Annual Performance Assessment of the Board of Directors, Board Members and Functional Committees by the end of January 2020. On March 25, 2020, the Board of Directors reported on the results of the 2019 Annual Performance Assessment of the Board of Directors, Board Members and Functional Committees as follows:</p> <ol style="list-style-type: none"> 1. The Board of Directors performance evaluation results are excellent; 2. The performance results of the members of the Board of Directors are excellent Assessment; 3. Functional Committee (Compensation Committee) Assessment 	

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<p>with an excellent performance result;</p> <p>4. Functional committee (Audit Committee) Assessment performance results are excellent.</p> <p>(4) The board of directors approves that it change CPA whose 2019 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 public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' 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.The Board of Directors resolved to set the standard procedure for director’s requirement and appointed Senior Vice President Linda Lin, who has 25 years of experience in financial and accounting management of public companies, to be responsible for supervising and implementing corporate governance operations, including coordinating the exchange of information between directors and managers, providing timely and sufficient information required for directors to carry out their duties, ensuring board procedures and compliance with all applicable laws and regulations, enhancing board effectiveness, assisting directors in complying with laws and regulations, handling matters related to board and shareholders' meetings, and company registration and change registration, among others.</p>	Compliance

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons															
	Yes	No	Explanatory memorandum																
			<p>The highlights of corporate governance related matters in 2019 are as follows:</p> <ol style="list-style-type: none"> 1. Convening the board meeting and annual general meeting. 2. Convene investor conferences. 3. Board members have completed at least 6 credits of training courses. 4. Convening the communication meetings between the independent Directors, the head of internal audit, and the certified public accountant. 5. Completing performance evaluation of the board and directors. Corporate governance supervisor training hours totaling 12 hours. <table border="1"> <thead> <tr> <th>Date of Study</th> <th>Hosting Institution</th> <th>Name of Course/Program</th> </tr> </thead> <tbody> <tr> <td>2019/11/6</td> <td>Taiwan Stock Exchange</td> <td>Promotion Event on the Effective Utilization of Board Functions</td> </tr> <tr> <td>2019/11/21</td> <td>Taiwan Corporate Governance association</td> <td>How directors assist the Company to promote risk management in multinational corporations.</td> </tr> <tr> <td>2019/11/21</td> <td>Taiwan Corporate Governance Association</td> <td>The impact of anti-money laundering measures on corporate management.</td> </tr> <tr> <td>2019/11/27</td> <td>Taiwan Corporate Governance Association</td> <td>How directors can help promote risk management practices in corporation.</td> </tr> </tbody> </table>	Date of Study	Hosting Institution	Name of Course/Program	2019/11/6	Taiwan Stock Exchange	Promotion Event on the Effective Utilization of Board Functions	2019/11/21	Taiwan Corporate Governance association	How directors assist the Company to promote risk management in multinational corporations.	2019/11/21	Taiwan Corporate Governance Association	The impact of anti-money laundering measures on corporate management.	2019/11/27	Taiwan Corporate Governance Association	How directors can help promote risk management practices in corporation.	
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2019/11/27	Taiwan Corporate Governance Association	How directors can help promote risk management practices in corporation.																	
5. Company whether versus established and Stakeholder (Including but not limited to shareholder & employees & client & suppliers) effective communication channels and public relations departments with stakeholders, responded the important issues of Corporate social responsibility?	✓		The Company has a spokesperson and deputy spokesperson, shareholder services and public relations departments, as well as a mailbox dedicated to investors, the purpose of which is to establish an effective channel of communications with its stakeholders.	Compliance															
6.Has the Company assigned a professional stock transfer agent to handle affairs related to the shareholders' meetings?	✓		The Company has assigned the Stock Agency Department of Yuanta Financial Holdings to handle tasks related to shareholders' meetings.	Compliance															
7.Information Disclosure	✓		(1) The Company has set up a corporate website at http://www.testritegroup.com to disclose information about its financial business and corporate governance information. A link to	Compliance															

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
<p>(1) Has the Company established a corporate website to disclose information regarding the company's financials, business and corporate governance status?</p> <p>(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?</p> <p>(3) Does the company release the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial report and the monthly operating situation within the prescribed time limit ?</p>			<p>public information of the competent authorities is available at http://mops.twse.com.tw.</p> <p>(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.</p> <p>(3) The Company's annual financial report and first, second and third quarter financial reports, as well as the operating conditions for each month, are announced and reported on the public information disclosure website and simultaneously uploaded to the Company's corporate website.</p>	
<p>8. Other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and insurance purchased for directors and supervisors):</p>	✓		<p>(1) Employee rights : Based on the Company's principles of integrity and good faith, the Company takes proper care of employees and abides by the Labor Standards Act promulgated by the government to protect the legitimate rights and interests of employees, and to provide equal employment opportunities. Our Employee Welfare Committee has implemented an employee pension system that offers employee group insurance, and organizes various training courses for employees, etc.</p> <p>(2) Employee wellness : The Employee Welfare Committee is established in accordance with the law and organizes various recreational activities, medical checkups, employee travel, and employee shopping days from time to time. The Committee also provides subsidies to social clubs organized by employees. In addition, the Company has made available a large number of parking spaces reserved for employees in order to resolve parking issues. With respect to emergency assistance, in addition to providing employees with protection through group insurance, in the event of major emergencies, the Company also dedicates personnel to take the initiative to call for voluntary contributions from employees to render assistance to fellow staff.</p>	Compliance

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
			<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> <ol style="list-style-type: none"> 1. On February 22, 2019, Independent Director Liu Ting-Yang participated in a three-hour course on “corporate sustainability and increasing the company’s long-term value” by the Taiwan Corporate Governance Association. 2. On March 8, 2019, Independent Director Liu Ting-Yang participated in a three-hour course “Under the latest Corporate Governance Blueprint of directors’ responsibility and risk management” by the Taiwan Corporate Governance Association. 3. On November 21, 2019, Chairwoman Judy Lee, Director Tony Ho, Director Robin Ho, Director Wen-Chung Chen, Independent Director Jo Yeh, Yung-Chi Lai participated in a three-hour course on “the impact of anti-money laundering measures on corporate management” by the Taiwan Corporate Governance Association. 4. On November 21, 2019, Chairwoman Judy Lee, Director Tony Ho, Director Robin Ho, Director Wen-Chung Chen, Independent Director Jo Yeh, Yung-Chi Lai participated in a three-hour course on “How directors can help promote risk management practices in corporations” by the Taiwan Corporate Governance Association. 	

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 August 12th, 2019.</p>	
<p>9.The improvement status for the result of Corporate Governance Evaluation (Not included in the assessment by the company did not need to fill)</p> <p>Our corporate governance in 2019, the improvement actions are: On April 24, 2019, the Board of Directors approved the establishment of the Company's “Standard Operating Procedures for Handling Directors' Requests” and the appointment of the head of corporate governance to assist the directors to provide the necessary information for business and perform their duties as directors; the completion of the Company's website and/or the establishment of a dedicated page to disclose corporate governance-related issues and implementation; the Company’s newly completed performance evaluation of the 2019 Annual Functional Committee, together with the performance evaluation of the Board of Directors and board members, and reported the evaluation results to the Board on March 25, 2020.</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	Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a remuneration committee member	Remark	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent director	Mr. Yung-Chi Lai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent director	Mr. Ting-Yang Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent director	Ms. Jo Yeh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

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 top 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 director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws);
- (8) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) 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;
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

2. The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors:

- (1) Prescribe and periodically review the performance review and remuneration policy, system, standards, and Culture for directors, supervisors and managerial officers.
- (2) Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

3. 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 2019. 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	4	0	100%	
Member	Mr. Ting-Yang Liu	4	0	100%	
Member	Ms. Jo Yeh	3	1	75%	

Other notable items:

1.If the directors' meetings objected to or modified the proposal of remuneration committee : None.

2.If the remuneration committee member objected to or subject to qualified opinion and recorded or declared in writing : None.

Directors' meetings	Contents of Resolutions	Committee Opinions	Resolutions result and of Company's process of the opinions to members
2019.01.24	Passed the motion for company managers' performance-based bonus allocation for 2018.	N	Audit Committee :all participating Committee members without an objection, and submitted to the board of directors for final decision. board of directors : Directors approved the proposal unanimously.
2019.3.26	Passed the motion for allocation of compensation for the Company's directors, and for the Company's employee bonus 2018.	N	
2019.07.01	Passed the managerial officer's salary adjustment for 2019. Passed the motion for allocation of remuneration for the Company's directors and supervisors for 2017. Passed the remuneration of the Committees of the Company.	N	
2019.11.12	Passed the motion for managers' profit sharing of employee's benefits for 2018, and year-end bonus allocation for 2019.	N	

3.4.5 Fulfillment of Social Responsibility and Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/Typed Listed Companies" and Reasons :

Item	Implementation Status			Deviations from "Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Explanatory memorandum	
1. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	E		Please refer to pages 8~9of the Company's CSR Report ; Please refer to pages 27~28 of the Company's CSR Report	Compliance
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		Please refer to pages 6~7 of the Company's CSR Report ;	Compliance
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the Company assess the potential risks and Opportunities climate change brings to the company, now and in the future, and take measures to respond to climate-related issues? (4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and does it formulate	✓		(1) Please refer to pages 36~59 of the Company's CSR Report ; (2) Please refer to pages 50~53 of the Company's CSR Report ; (3) Please refer to pages 27~28 of the Company's CSR Report ; (4) Please refer to pages 55~59 of the Company's CSR Report ;	Compliance

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
policies on energy conservation and carbon education, greenhouse gas reduction, water consumption				
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the Company formulate and implement reasonable employee benefits measures (including compensation, leaves and other benefits), and appropriately reflect operational performance or achievement in employee compensation?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>(4) Does the company provide its employees with career development and training sessions?</p> <p>(5) Does the Company comply with relevant laws, regulations and international standards with respect to customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer interests protection policies and complaint procedures?</p> <p>(6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant</p>	✓		<p>(1) Please refer to pages 73~74 of the Company’s CSR Report ;</p> <p>(2) Please refer to pages 72~73 of the Company’s CSR Report ;</p> <p>(3) Please refer to pages 74~75 of the Company’s CSR Report ;</p> <p>(4) Please refer to pages 65~70 of the Company’s CSR Report ;</p> <p>(5) Please refer to pages 83~91 of the Company’s CSR Report ;</p> <p>(6) Please refer to pages 39~44 of the Company’s CSR Report ;</p>	Compliance

Item	Implementation Status			Deviations from “Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Explanatory memorandum	
regulations on issues such as environmental protection, occupational safety and health, or labor rights, and its implementation situation?				
5. Does the Company refer to internationally accepted reporting standards or guidelines when compiling reports on the Company’s non-financial information such as the corporate social responsibility reports? Have the aforementioned reports been verified or certified by a third-party verification unit?	✓		The content of this report published by Test Rite Group references the “Core option” of the Sustainability Reporting Standards announced by the Global Reporting Initiatives (GRI) in 2016. The content of this report doesn’t obtain the third-party assurance.	Compliance
6. 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.				
7. Other important information that helps understand the operation of corporate social responsibility (1) Green procurement and marketing: Please refer to the corporate social responsibility report on page 50~55. (2) Community participation and service: Please refer to the corporate social responsibility report on page 91~99.				

3.4.6 Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/Typed Listed Companies" and Reasons: 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) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?</p> <p>(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes Preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/Typed Listed companies?</p> <p>(3) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?</p>	✓		<p>(1) The board of directors approved Ethical Corporate Management Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct that the company shall has the Act Announcement of Insider trading and Ethical Corporate Management Best Practice Principles to Insiders(i.e., directors and managerial officers) and Quasi-insiders(i.e., group's executive manager and finance and accounting staffs) and sign the statement of Insider trading and Ethical Corporate Management Best Practice Principles at the beginning of every year.</p> <p>(2) With respect to a confirmed information, this Corporation shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.</p> <p>(3) The company should disclose its policy in its internal rules which 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) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?</p> <p>(3) Has the Company established policies to prevent conflict of interest and provided appropriate channels for communication and complaint?</p> <p>(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?</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 periodically (at least once a year).</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, Amended on November 9, 2018 and March 25, 2020 in line with the Group's internal operations and changes in governmental acts.</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 periodically (at least twos a year).</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</p>	✓		<p>(1) The Company has the set of the "Procedures for Ethical Management and Guidelines for Conduct" that stipulated the handling whistleblowing reports and whistleblowing Channels for personnel 's unethical conduct.</p>	consistent

<p>facilitate in reporting, and assigned appropriate specialist staff for handle the personnel being reported on?</p> <p>(2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?</p> <p>(3) Has the Company taken measures to ensure that whistleblowers are not subjected to inappropriate treatment from the reporting actions?</p>			<p>(2) The Company has the set of the “Reporting and Investigation Operation Process” 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 has preserving confidentiality and allowing anonymous reporting to protect the whistleblowers from improper punishment for reporting matters.</p>	
<p>4. Information Disclosure</p> <p>Has the Company disclosed information regarding its corporate social responsibility, which pertains to the Company’s relevance and reliability, on its corporate website and the MOPS?</p>	✓		<p>The Company implements Business Integrity Policy and Procedures for Ethical Management and Guidelines for Conduct, and publicly announced this information on our official website. The Company has clearly disclosed its corporate values of integrity, accountability, modesty, customer-driven and high performance on our company website.</p>	consistent
<p>5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancies between the policies and their implementation. : None.</p>				
<p>6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., promoting and demonstrating the company’s commitment to keeping in line with ethical standards, providing training to its business partners, and reviewing the company’s corporate conduct and ethics policy).</p> <p>On November 11, 2013, the Board of Directors approved the establishment of the Code of Conduct for Ethical Operation. On December 16, 2016, the Board of Directors approved the establishment of the Procedures and Guidelines for Ethical Operation. On November 09, 2018, the Board of Directors approved the amendment of the Code of Conduct for Ethical Operation and the Procedures and Guidelines for Ethical Operation applicable to Group companies and organizations. On March 25, 2020, the Board of Directors approved the revision of the Code of Conduct and the Procedures and Guidelines for Conducting Business with Integrity and published on the Company's website as required by law.</p> <p>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.</p> <p>We have been, from time to time, communicating with our suppliers our corporate values of integrity, accountability, modesty, customer-driven and high performance. We have also incorporated the relevant provisions on the integrity of behavior into our commercial agreements.</p>				
<p>7. Other important information to facilitate a better understanding of the company's corporate social responsibility practices: : Detailed CSR report.</p>				

3.4.7 If the company has set a corporate governance policy and other related regulations, give methods of inquiry for disclosure of this information. The Company has established procedures to process significant internal significant information and business integrity practices policy. This information is disclosed on the Company's internal data management system as well as on its official website (<http://www.testritegroup.com>). Special explanations dedicated to integrity practices can be found in the Conflict of Interest section, in which the Company's vision and management for integrity practices are expressed. Additionally, the Company also offers related corporate governance legal information for new directors 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	2019/11/21	Taiwan Corporate Governance Association	The impact of anti-money laundering measures on corporate management.	3.0
President	Sophia Tong	2019/11/21	Taiwan Corporate Governance Association	How directors can help promote risk management practices in corporation.	3.0
Chief Operating Officer (COO)	Robin Ho	2019/11/21	Taiwan Corporate Governance Association	The impact of anti-money laundering measures on corporate management.	3.0
		2019/11/21	Taiwan Corporate Governance Association	How directors can help promote risk management practices in corporation.	3.0
Vice President	Linda Lin	2019/11/18~ 2019/11/19	Accounting research and development foundation	Continuing educational programs for accounting supervisors of securities exchange issuers.	12.0
		2019/11/21	Taiwan Corporate Governance Association	The impact of anti-money laundering measures on corporate management.	3.0
		2019/11/21	Taiwan Corporate Governance Association	How directors can help promote risk management practices in corporation.	3.0
Auditing Supervisor	Lancy Wu	2019/04/30	Computer Audit Association	How corporations can implement information security management from information services.	2.0
		108/06/27	Institute of internal auditors	The latest amendments to the Company Law and corporate practices.	3.0
		108/8/24	Taiwan Corporate Governance Association	Digital technology applications and information governance.	4.0
		108/10/30	Institute of internal auditors	Enterprise data protection in the age of the cloud and sharing economy.	3.0
		108/11/21	Taiwan Corporate Governance Association	The impact of anti-money laundering measures on corporate management.	3.0
		108/11/21	Taiwan Corporate Governance Association	How directors can help promote risk management practices in corporation.	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
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 25, 2020

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2019:

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, 2019, 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 2019 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 25, 2020, 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 : Judy Lee

3.4.10 In the most recent year and up to the printing date of the annual report, if the Company and its internal personnel were punished according to law, or if the Company punished its internal personnel for violating the provisions of the internal control system, and the results of such punishment may have a significant impact on shareholders' equity or securities prices, the punishment content, major defects, and improvement status shall be specified: 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 2019 Stockholder's General Meeting for Test Rite Corporation was held on June 20, 2019 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 2018 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 and Cash distributed from capital surplus to shareholders for the 2018 fiscal year.

●Execution: resolved to pass, the Board of Directors have approved the convening cash dividend on July 01 2019. The ex-dividend date is July 22 2019 and the payment date is August 05 2019 .The total amount was as NT \$356,921,291 and NT\$295,734,784.

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

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

B. Amendment of Procedures for Engaging in Derivatives Trading.

C. Amendment to Procedures for Lending Funds to Others.

D. Amendment of Procedures for Endorsement and Guarantee.

E. 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 25, 2020 due to the consideration of the market conditions and the overall planning and fund-raising of the company.

(5) Passed the Removal of directors 'on-compete restrictions.

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

2. Important resolutions of the Board of Directors:

The Company has held 9 Board of Director Meetings, from May 14, 2019 to May 12, 2020. Abstracts of important resolutions are as follows:

Date of the Board of Directors Meeting	Abstract of Important Resolutions
July 01, 2019	Passed the motions relating to the Company's profit-sharing, and cash dividend distribution and capital surplus for 2018. Passed the motion for allocation of remuneration for the Company's directors and supervisors for 2018. Passed the remuneration of the Committees of the Company. Passed to invest in a new 100% owned subsidiary in Vietnam to purchase a new office. Passed to invest in a new 100% owned subsidiary in Vietnam to purchase industrial land. Passed to capital injection in Chung Can Enterprise Co., Ltd. Passed to establish a procedure of treasury stock buyback.
Aung02, 2019	Passed to close some stores of reinvested subsidiary which are Hola Shanghai Retail & Trading Co., Ltd 、 Hola Beijing Retail & Trading Co., Ltd. 、 Hola Shanghai Living Art Retailing Co., Ltd. Passed to executive the 15th Share Buyback plan.

Aug 12, 2019	<p>Reported on Test Rite Co, Ltd's consolidated financial results for Q2 2019.</p> <p>Reported on Test Rite Co, Ltd's of internal audit's business for Q2 2019.</p> <p>The Company has purchased liability insurance coverage for directors.</p>
Nov. 12, 2019	<p>Reported on Test Rite Co, Ltd's consolidated financial results for Q3 2019.</p> <p>Reported on Test Rite Co, Ltd's audit business report for Q3 2019.</p> <p>Reported on the supervisory implement of the Company's ethical corporate management policies and prevention programs.</p> <p>The report of Company's corporate social responsibilities plan and execution.</p> <p>Passed the motion for managers' profit sharing of employee's benefits for 2018, and year-end bonus allocation for 2019.</p> <p>Passed to capital injection in Test Rite Retailing Co., Ltd.</p>
Dec. 20, 2019	<p>Passed the motion for the Company's operational plan and budget for 2020.</p> <p>Passed the motion to implement the Company's internal audit plan for 2020.</p> <p>Passed the motion for amendment to Internal Control System and Details on Implementation of Internal Audit.</p> <p>The board of directors approves that it change CPA whose independence \ suitability evaluation and engagement since 2019 Q4.</p>
Jan. 16, 2020	<p>Passed the motion for company managers' performance-based bonus allocation for 2019.</p>
Mar. 25, 2020	<p>Passed the motion for allocation of compensation for the Company's directors, and for the Company's employee bonus 2019.</p> <p>Reported on Test Rite Co, Ltd's Operational Highlights and consolidated financial results for 2019.</p> <p>Passed the motion for profit-sharing for 2019.</p> <p>Passed the motion for the statement of the Company's internal control system for 2019.</p> <p>Passed the motion for Cash distributed from capital surplus to shareholders.</p> <p>Passed of amendments to the Company's Internal Control System and Internal Audit Implementation Rules.</p> <p>Passed of partial amendments to the provisions of the Ethical Corporate Management Best Practice Principles.</p> <p>Passed the amendment to Ethical Corporate Management Best Practice.</p> <p>Reconstituting the "Rules and Procedures Governing Shareholders' Meetings", and annulling the original version.</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 call for the Company's Stockholder's General Meeting for 2020.</p>
May.12.2020	<p>Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2020.</p> <p>Reported on Test Rite Co, Ltd's consolidated financial results for Q1 2020.</p> <p>Passed of partial amendments to provisions of the Rules of Procedure for Board of Directors Meetings.</p> <p>Passed of partial amendments to provisions of the Remuneration Committee Charter.</p> <p>Passed of partial amendments to provisions of the Audit Committee Charter.</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 : President Sophia Tong resigned in February 07 2020.

3.5 Information of Accountant's Fees

Auditors	Name	Period	Remark
Deloitte & Touche	HUNG-Bin Yu , Ming-Yu Chiu	2019/1~3 season	For CPA firm's internal adjustment
Deloitte & Touche	CHI-Ming Hsu ,HUNG-Bin Yu	2019/4 season	

Item		Audited fee	Non-audited fee	Total
Range			Other	
1	Less than 2,000,000	0	0	0
2	2,000,000 ~ 4,000,000	0	2,597	2,597
3	4,000,000 ~ 6,000,000	4,850	0	4,850
4	6,000,000 ~ 8,000,000	0	0	0
5	8,000,000 ~ 10,000,000	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	HUNG-Bin Yu , Ming-Yu Chiu	4,850	0	20	0	2,577	2,597	2019/1~3 season	Country-by-Country Report & Master File 2,112 ; TP 305 ; thousand for review of checklist of salary information of staff 60 ; Review of Annual Reports 50 ; Direct deduction method 50.
	2019/4 season								

3.6 Information on replacement of certified public accountant

Company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period: For CPA firm's internal adjustment

3.7 Company Chairman, President, and financial / accounting manager held positions in the Company's audit firm or its affiliates within the past year : None.

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

(Unit : Share)

Title	Name	2019		As of April 30, 2020	
		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.	35,000	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. Jo Yeh	0	0	0	0
Chief Operating Officer (COO)	Robin Ho	0	0	0	0
Business Development General Manager	Shelly Chen	0	0	0	0
VP	John Peng	0	0	(1,268)	0
VP	Lawrence Wu	(18,000)	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	20,000	0	10,000	0
VP	Lancy Wu	0	0	0	0
VP	Monica Chen	0	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	0	0	0	0
VP	James-KJ.Chen*	0	0	0	0
VP	Sabrina.Kuo*	NA	NA	0	0
Dir	Austin Lin	0	0	0	0
Dir	Johnson Lee	0	0	0	0
Dir	Hampfrey Wang	0	0	0	0
Dir	Jenny Chen	0	0	0	0

Title	Name	2019		As of April 30, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Dir	Celine Hsien	0	0	0	0
Dir	Bruce Shen	0	0	0	0
Dir	Antyia.Tsai	0	0	0	0
Dir	Harrison Yang	0	0	0	0
Dir	Lisa.Lin	0	0	0	0
Dir	Greg.Chang	0	0	0	0
Dir	Elaine.Shih*	0	0	0	0
Dir	Melody.Wu*	204,991	0	0	0
Dir	Noelia.Lu*	803	0	0	0
Dir	Terrisa.Lee*	0	0	0	0

*VP James-KJ.Chen joined in December 2019; *VP Sabrina.Kuo joined in February 2020; *Dir Elaine.Shih joined in May 2019; *Dir Melody.Wu Joined in July 2019; *Dir Noelia.Lu joined in September 2019; *Dir Terrisa.Lee joined in December 2019.

Shares Trading with Related Parties : None

Shares Pledge with Related Parties : None

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

Date: April 19, 2020

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 Wang Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	50,954,000	9.99	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Quality Master Co., Ltd. Representative: Tony Ho	50,389,774	9.88	0	0	0	0	Judy Lee Tony Ho Tsai-Chi Co., Ltd. Li Hsiung Co., Ltd. Tsai Wang Enterprise Company Limited	Relationship	-
Tsai Ye Enterprise Company Limited Representative: Ms. Lee, Ai-Chen	49,285,000	9.67	0	0	0	0	Judy Lee	Relationship	-
Li Hsiung Co., Ltd. Representative: Ms. Lee, Ai-Chen	43,633,263	8.56	0	0	0	0	Judy Lee Quality Master Co., Ltd.	Relationship	-
Up Master Investment Co., Ltd. Representative: Ms. Lee, Ai-Chen	42,890,000	8.41	0	0	0	0	Judy Lee	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	38,526,389	7.56	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	-
Chang Qiu Dun	18,918,714	3.71	0	0	0	0	-	-	-
Fubon LifeInsurance Co., Ltd. Representative: Richard M. Tsa	13,285,037	2.61	0	0	0	0	-	-	-

3.10 Long-term Investment Ownership

Date: December 31, 2019

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.	57,291,330	91.67%	0	0.00%	57,291,330	91.67%
Tony Construction Co., Ltd.	0	0.00%	38,000,000	91.67%	38,000,000	91.67%
Test Cin M&E Engineering Co., Ltd.	0	0.00%	8,000,000	91.67%	8,000,000	91.67%
Chung Cin Interior Design Construction Co., Ltd.	0	0.00%	1,200,000	91.67%	1,200,000	91.67%
Test Cin International Co., Ltd.	0	0.00%	900,000	55.00%	900,000	55.00%
Youmei Enterprise Co., Ltd.	0	0.00%	1,530,000	46.75%	1,530,000	46.75%
Hand-on Lighting Co., Ltd.	0	0.00%	510,000	46.75%	510,000	46.75%
VIET HAN CO., LTD.	0	0.00%	4,000,000	91.67%	4,000,000	91.67%
Lih Teh International Co., Ltd.	5,000,000	100.00%	0	0.00%	5,000,000	100.00%
Lih Chiou Co., Ltd.	334,754,000	100.00%	0	0.00%	334,754,000	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.	6,835.1	93.79%	452.9	6.21%	7,288	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 Retailing Co., Ltd.	139,081,000	100.00%	0	0.00%	139,081,000	100.00%
Test-Rite Trading Co., Ltd.	83,218,806	100.00%	0	0.00%	83,218,806	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 4/19/2020

Share Type	Authorized Capital				Remarks
	Issued Shares	Treasury Stock	Un-issued Shares	Total Shares	
Common Stock	509,887,558	0	240,112,442	750,000,000	-

4.1.2 Status of Shareholders

As of 4/19/2020

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	3	43	16,545	90	16,682
Shareholding (shares)	16	14,596,242	302,956,666	152,491,140	39,843,494	509,887,558
Percentage %	0.00	2.86	59.42	29.91	7.81%	100

4.1.3 Shareholding Distribution Status

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

As of 4/19/2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage %
1~999	9,354	1,805,114	0.35
1,000~5,000	5,213	10,789,896	2.12
5,001~10,000	1,005	6,839,316	1.34
10,001~15,000	406	4,750,645	0.93
15,001~20,000	148	2,596,727	0.51
20,001~30,000	187	4,460,721	0.87
30,001~40,000	82	2,780,251	0.55
40,001~50,000	56	2,518,136	0.49
50,001~100,000	105	7,429,249	1.46
100,001~200,000	47	6,352,575	1.25
200,001~400,000	32	8,786,696	1.72
400,001~600,000	13	5,938,766	1.16
600,001~800,000	7	4,668,316	0.92
800,001~1,000,000	2	1,802,859	0.35
1000,001 or over	25	438,368,291	85.98
Total :	16,682	509,887,558	100.00

2. Preferred Shares : None.

4.1.4 List of Major Shareholders

As of 4/19/2020

Shareholder's Name	Shareholding	
	Shares	Percentage %
Tsai Wang Enterprise Company Limited	50,954,000	9.99%
Quality Master Co., Ltd.	50,389,774	9.88%
Tsai Ye Enterprise Company Limited	49,285,000	9.67%
Li Hsiung Co., Ltd.	43,633,263	8.56%
Up Master Investment Co., Ltd.	42,890,000	8.41%
Tony Ho	38,995,550	7.65%
Tsai-Chi Co., Ltd.	38,526,389	7.56%
Judy Lee	25,711,294	5.04%
Chang Qiu Dun	18,918,714	3.71%
Fubon LifeInsurance Co., Ltd.	13,285,037	2.61%

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

Unit: NT\$

Item		2018	2019 (Note1)	2020/1/1-2020/3/31 (Note3)
Market Price per Share	Highest Market Price	24.50	23.00	21.45
	Lowest Market Price	21.65	20.15	17.55
	Average Market Price	22.91	21.62	19.50
Net Worth per Share	Before Distribution	14.39	12.35	11.87
	After Distribution	13.11	11.66	11.87
Earnings per Share	Weighted Average Shares	509,887,558	503,123,322	495,581,558
	Diluted Earnings Per Share	0.8	0.2	0.25
Dividends per Share	Cash Dividends	1.28	0.71	-
	Stock Dividends	-	-	-
	Capital reserve	-	-	-
	Accumulated Undistributed Dividends	-	-	-
Return on Investment	Price / Earnings Ratio (Note2)	28.64	108.10	-
	Price / Dividend Ratio (Note2)	17.90	30.45	-
	Cash Dividend Yield Rate (Note2)	5.59	3.28	-

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. 2020 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 in contains various risks and uncertainties. As the life cycle of the Company's development enters the stable and mature phase and taking into account the Company's diversification, future operating plans, capital requirements and long-term financial planning, as well as considering shareholders' interests, our dividend policy shall be formulated in accordance with the provisions of the Company Act and other relevant regulatory requirements to ensure the soundness and balance of dividend distribution, the surplus available for distribution shall 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\$100,354,709. Adjust the adjusted investment retained earnings based on equity method of NT\$(13,421,771) and the premeasurements of beneficial plan is recognized in retained earnings of NT\$(7,091,669), adding the undistributed retain of NT\$4,391,623, 10% for Legal reservation of NT\$(7,984,127) and the special reserve of NT\$(76,248,765), the surplus available for distribution was NT\$0, that no dividends be distributed for 2019.

In addition, the Company will distribute the cash dividend of NT\$ 351,862,906 from capital surplus. Based on current outstanding shares 495,581,558 (i.e., total number of 509,887,558 issued shares of the Company excluding 14,306,000 treasury shares), the payout amount is NT\$ per share is 0.71. (Payout amount of less than NT\$1 will not be distributed).

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

Not applicable, as the Company does not disclose financial guidance.

4.1.8 Employee, Director Remuneration

1. Pursuant of the Company Act and Article of Incorporation, no less than 1% of any profit made by the company in a year shall be allocated to employee and director 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 directors distribution : in accordance with the provisions of the Company Act and Articles of Association of the Company, the Board of Directors approved on March 25 2020, Compensation to directors and profit-sharing bonus to employees were not allocated in 2019.
 - (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 2018, The Company's was approved by the Board of Directors on March 26 2019. This entailed remuneration of NT\$2,344,681 for employee and NT\$3,517,021 for directors bonuses in accordance with the provisions of the Articles of Association. The amount above is identical to that in 2018.

4.1.9 Buyback of Treasury Stock (treasury stock buyback has been expired)

As of 4/30/2020

Treasury stocks in Batches	14th Batch	15th Batch
Purpose of Buy-back	Transfer to employees	Transfer to employees
Timeframe of Buy-back	2019/4/29~2019/6/24	2019/8/5~2019/10/4
Price range	NTD 20.0~28.0	NTD 20.0~28.0
Class, quantity of shares bought back	9,271,000	5,035,000
Value in KNT\$ of bought-back shares	205,255,772	107,999,819
Number of repurchases made as a percentage of the scheduled number of repurchases (%)	46.36%	50.35%
Shares sold/transferred	0	0
Accumulated number of company shares held	9,271,000	14,306,000
Percentage of total company shares held (%)	1.82%	2.81%

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 Equipment 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, Bedding 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 Equipment 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, Bedding, 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 Equipment
- (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 Equipment, 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	2018		2019	
	Amount	%	Amount	%
Principal Trading	19,136,206	48.0%	18,817,852	49.4%
Agency Commission	377,889	0.9%	382,578	1.0%
Taiwan Retail	16,457,044	41.2%	16,180,294	42.5%
China Retail	2,381,534	6.0%	1,314,616	3.5%
Others	1,545,277	3.9%	1,365,472	3.6%
Total	39,897,950	100.0%	38,060,813	100.0%

3. Company's current key business activities:

The Company's trading business engages in the import and export of household products and the licensing of 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 are engaged in similar products, in addition to the sales and marketing of mattresses and bedding as well as brand licensing of consumer brands. Affiliated businesses include: design , which conducts product, packaging and industrial design; construction, which conducts marketplace and office building construction and investment promotions, as well as logistics and warehousing services in Taiwan, Asia, the U.S., and Europe.

4. New business activities under development:

- (1) Effort-saving hand tools and related products: Hand tools remain a key product category for the Company and accounted for approximately 30% of total shipments in 2019. In addition to providing comprehensive features for professional tools, effort-saving is also a major consideration for consumers. Based on principles of structural mechanics and leverage, the design of hand tools must take into account not only innovative appearance but also ergonomics in order to meet market demand.
- (2) LED energy-saving lamps and related products:
 - A. With the advocacy for energy conservation in full force across the world, governments have incorporated relevant measures into legislations and policies to encourage investment this field by the private sector.

B. Lamps and light fixtures are included in the Company's export product categories. In the Taiwan retail market, the Company cooperates Toshiba to develop ceiling LED lights and offers the TLW private label range of LED light bulbs (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.

(3) HOLA private label products:

Test Rite's private label products, including bedding, textiles and dining wares, have been well received in the market. Sales accounted for more than 4/10 of total HOLA sales as of the end of 2019.

5.1.2 Industry Overview

1. Current Status and Industry Development

The Company was founded in August 1978. During its earlier years, the Company focused on the export of hand tools and hardware. As the Company's client base expanded, the number of suppliers grew to more than 4,000, covering an increase in product offerings spanning 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 UK) and Australia by setting up subsidiaries, representative offices, and branch offices. In 1989, the Company targeted Taiwan's domestic retail market and established a domestic sales/import team, servicing the customer segment that frequents major discount stores. By leveraging the Company's sourcing capabilities, the domestic sales/import team introduced 1,000+ products previously sourced exclusively for the export market to the consumers in Taiwan. Six primary categories by distinct product lines were established, including seasonal merchandise, outdoors, hardware and automotive, housing supplies, stationery, furniture and interior products, with electronics and lighting products as an add-on. Furthermore, in recent years we have also gradually strengthened sales of licensed products.

In 1995, Test Rite entered into a joint venture with 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 retail 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 established HOLA Petite, a brand that personified the French word "petite" and embodies the concept of "delicately beautiful." The brand focuses on three lifestyle essentials: comfortable bedding, rejuvenating baths, and enriching dining experiences. These are manifested in a tasteful real-life interior design space reminiscent of a French home environment that appeals to one's sense of touch, sight, smell, sound and taste. In 2015, Test Rite became a franchisee of renowned American home décor store, Crate & Barrel. The introduction of this classic American brand contributed to Test Rite's leading market share in the Taiwan home décor market. In 2019, in an effort to mitigate losses, the decision was made to withdraw HOLA China from the China market.

Below we discuss the industry dynamics for our trading, purchasing agency, and retail businesses:

(1) Market Conditions for Our Trading Business

Since the early import-substitution and export expansion policies of the 1960s to the current move towards trade liberalization and internationalization, Taiwan has experienced rapid growth in global trade activity. Over the past 23 years extending from 1996 to 2019, Taiwan's total trade volume increased significantly (refer to table below), becoming a key driving force behind Taiwan's economic development. With China's role as a major global manufacturing center, trade with the mainland has picked up rapidly. In 2019, Taiwan's exports to China

accounted for around 16% of its total exports, while corresponding imports was about 15% of total imports.

Test Rite Group actively expanded 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.

We are engaged in 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 U.S. and Europe. We have strong relationships with our customer base and offer customized services. For example, we forecast sales quantities through the analysis of historical data, or we can take charge of 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, we also handle after-sales services, such as returns and answering phone calls for our clients. Through providing the most value-added services, we have become the trading partner of choice. Meanwhile, 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 U.S. and European markets, the trend is reversing to an increasing extent. Having cultivated markets in the west 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 into Asian markets. Through the licensing of these brands, Test Rite has an additional opportunity for growth in providing consumers in Taiwan with the convenient access to world-class quality 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, and further enhance the lineup of licensed brands. Committed to developing and licensing diversified products, we 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 leverage opportunities to expand our retail channels to maximize consumer satisfaction in Taiwan.

Exports and Imports 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 %
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%
2019	329,194	-2%	285,694	0.2%	614,888	-1.2%

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

Several factors can complicate the overall operations of an export-import business relative to other industries. This includes exchange rate fluctuations that impact profit margins and barriers to trade, such as government policies, trade protectionism, customs, and regional alliances that create challenging hurdles for expanding into various overseas markets.

Regional economic integration has currently become a cornerstone in international trade and economic development. With the formation of the World Trade Organization (WTO) and later the Association of Southeast Asian nations (ASEAN), combined with increased volume of cross-strait trade, the trading sector in Taiwan is also facing new challenges. 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 trends toward multi-functional trading companies.

A. Decreasing International Trading in Taiwan

According to imports and exports data from the Bureau of Foreign Trade, Taiwan's trade with its primary trading partners, including China, Hong Kong, ASEAN, and the U.S., decreased in 2019. Data from the Ministry of Economic Affairs show that total exports to China (including Hong Kong) amounted to USD91.8 billion in 2019, a 33.6% year-on-year decrease. Total imports were USD58.4 billion (down by 8.7% from a year ago). Imports from the U.S. increased by 17%, while exports were up by 5.2%. The delay signing of the Cross-Strait Service Trade Agreement and the lack of TPP and RCEP membership pose challenges to Taiwan's position in international trading going forward.

Regional trade concentration indicator

(Unit : USD _million;%)

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
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%
2019	614,888	329,194	285,694	132,148	58,447	70.4%	44.9%

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

In 2019, the top three destinations for Taiwan's exports were: China/Hong Kong, ASEAN countries, and the U.S. The top three sources for Taiwan's imports were: China/Hong Kong, ASEAN countries, the U.S.

B. Increased Share of Triangular Trade

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 industries have gradually 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 of the trading sector as companies begin to source from suppliers outside of Taiwan, resulting in an increase in triangular trade. 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 the manufacturing base relocated to China and the ASEAN region.

C. Impact on Taiwan's Trading Sector Due to the Growing Size of Manufacturers, Trading Companies and Retailers

Following decades of industrial development both at home and abroad, manufacturers have benefited from significant improvements in production scale. Given the increase in scale, large manufacturers have benefited from more efficient production resulting from lower production and labor costs, while improving their relationships with key customers. Larger trading companies, too, are able to leverage the development of global trade and benefit from scalable logistics and procurement capabilities. However, this scenario has a negative effect on small –and– medium sized trading companies. They are forced to accept lower margins with higher complexity for single orders with smaller quantities and higher SKUs compared to 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 gained not only dominant pricing power but their transnational procurement activities have also contributed to domestic traders developing multinational logistics and procurement services, thereby accelerating the speed of the transformation of the trading business where smaller players are gradually marginalized.

D. Trading Firms Capable of Multiple Functions — 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 continue to demand better pricing, the newest and exclusive designs, and other services including financing and logistics.

As such, role player traditional companies have evolved from offering simple buy and sell functions to corporations with multi-national and multi-functional teams adept at providing services ranging from product marketing, warehouse logistics, quality assurance and control, and after-sales customer service.

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

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

(2) Principal Trading

Output from traditional trading reached NT\$18.8 billion in 2019, which was 1.7% lower from the previous year, and accounted for 58% of total consolidated trade output. Our major products include hand tools (hand and gardening tools, accounting for 70% of traditional trading revenue) and household items (sanitary equipment, automotive supplies, fireplace equipment and supplies, furniture, Christmas and seasonal products, and barbecue utensils, accounting for 30% of traditional trading revenue). This makes Test Rite the largest professional hand tools and household products trading company in Taiwan. Below we provide further analysis of 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 exports market for hand tools. Typically, hand tools have been relatively stable and mature in terms of their types and forms, with a relatively lower requirement for innovation. In recent years, multifunctional tools have enjoyed tremendous growth. In order to sustain market demand, the trend is for hand tools and household products to include multiple functions combined with unique design and made with differentiated materials, colors and shapes. In several instances, strong demand has been supported by creative marketing campaigns aligned/partnered with globally appealing pop culture.

Apart from certain manufacturers of brand-name bathroom and sanitary equipment and automotive repair supplies, most manufacturers remain relatively smaller in size. They do not have the scale or resources to brand their products nor the advantages of retail operators with sales channels to retail customers. In terms of manufacturers of hand tools, Japanese and German companies hold 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 have introduced low- to medium priced products.

The exports 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 a recovery in demand in 2010, as the U.S. economy began to gradually recover, aided by an improving property market and declining unemployment rate.

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, solidify our operational presence in Europe, and offer superior services to clients in the region. These products are all relatively mature, and the market remains significant.

With the primary export destinations in North America, Europe, and Asia in mind, we will continue to maintain market shares, search for growth drivers, and leverage opportunities to expand with improving overall market conditions.

(3) Agency Business

The agency business model is one based on commissions, where Test Rite acts as the sourcing agent for major retailers in the U.S. and Europe. Services provided include product sourcing, quality assurance and control support, and logistics/warehousing depending on the customer's needs. We leverage our core competencies developed through the success of our principal business for the benefit of agency activities.

In recent years, our agency business has proven to be one of the fastest-growing areas, a trend we expect to continue. On the back of this, we will continue to commit resources to develop sales and expand the number of clients as a way to maximize growth and profit potential. In 2019, our agency business delivered annual sales of NT\$13.5 billion, which was increase 1.9% from the same period in the previous year, and accounted for approximately 42% of consolidated trading shipments. Commission income reached NT\$382 million, accounting for 1% of total trading revenues.

(4) Storefront Retail Merchandise

The global retail business has transformed significantly in recent years, TLW and HOLA have maintained their leading positions in the DIY and home décor industries in Taiwan. However, we remain vigilant to ever-evolving customer behavior.

With the advent of the new retail business model, we aim to break the boundary between online and offline. Our Taobao x hoi! brand was launched with the aim of appealing to a younger generation of shoppers by providing high-quality and value-for-money products. Technology has been deployed in creating an online-offline shopping experience that promotes the new retail concept as a means to transform the home products industry. We have also reinforced experiential marketing in our physical stores and replicated the irreplaceable value of in-person service by extending our reach into customers' homes through our TLW Home Improvement Service Unit; this business unit turned a profit in 2016, the first since its inception in 2010.

Our Taiwan retail businesses, including TLW (DIY) and HOLA Taiwan, registered sales of NT\$16.2 billion in 2019. Affected by a slowdown in the real estate market in Taiwan, consumer demand for replacement of household items were subdued. According to government data, the wholesale of household items and building materials dropped 0.3% and 5.8%, respectively, in 2019.

Year	Household item sales (NTD 100 millions)	Household item growth rate (%)	Building materials sales (NTD 100 millions)	Building materials growth rate (%)
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
2019	2,977	-0.3	455	-5.8

Test Rite was the pioneer in DIY solutions in Taiwan. In line with contemporary the new retail philosophy, our concept stores emphasize experiential shopping – i.e., allow customers to have in-store experiences before making a purchasing. Specialized personnel in each product section are on hand to offer 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 meet customization requirements and to process individualized at-home renovation projects for the customer.

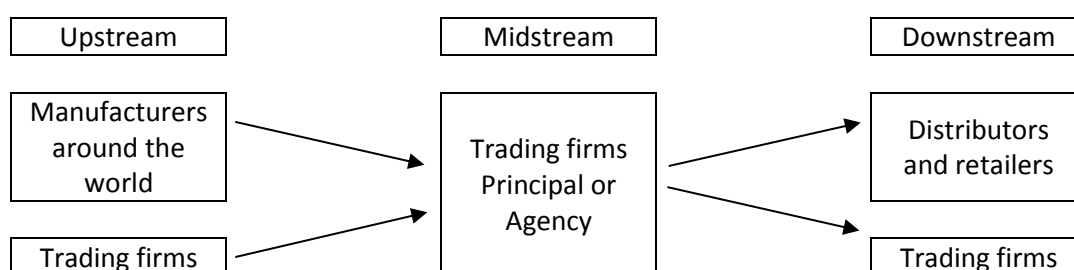
HOLA – Taiwan offers a wide variety of home décor at the forefront of living and home styles that are in sync with global trends. HOLA offers a comprehensive lineup of household products with the most exquisite and refined living style aesthetics. These include soft and comfortable bedding, fashionable 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 has in-store home décor consultants offering free advice on space and color utilization and décor arrangements to 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, Below is an example of the structure for trading companies that sources finished goods and sells them to distributors and/or retailers:



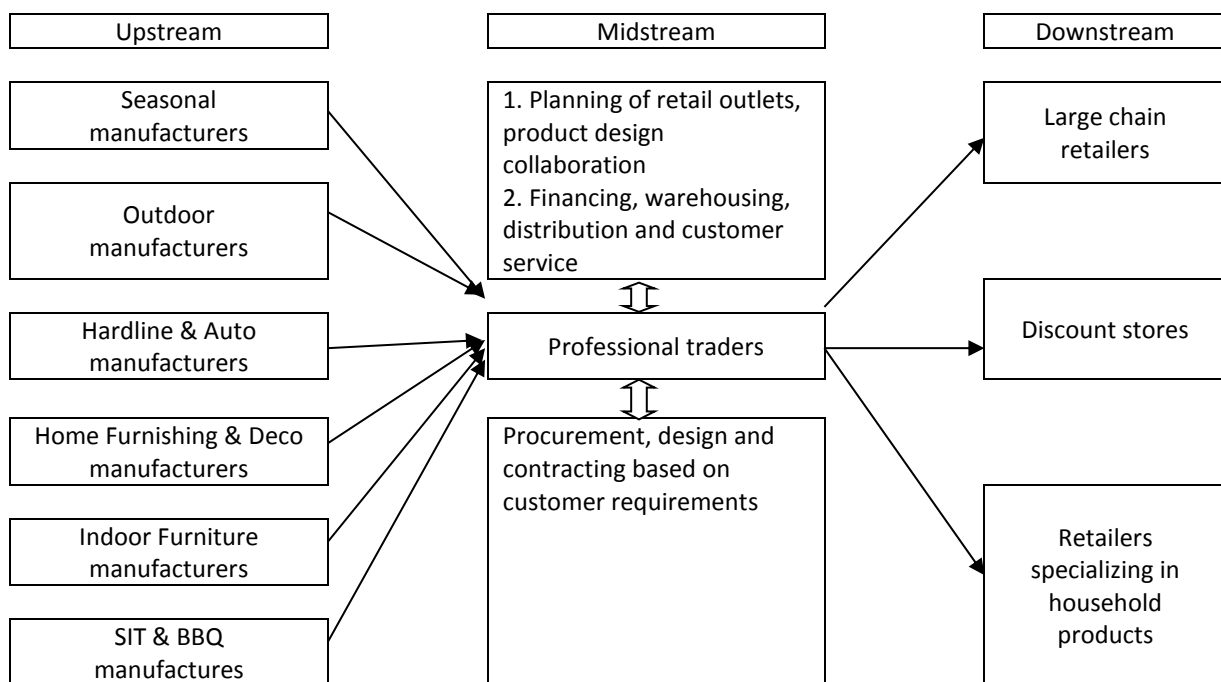
The so-called 'barriers to information access' is mainly geographic isolation and regulatory restrictions. In addition, there is the requirement from upstream and downstream vendors for working capital, as well as advantages to either buyers or sellers because of product characteristics or structure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

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 Tool and Household Product 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 through product marketing and via exhibitions. Trading companies then place orders with their upstream manufacturers and are responsible for arranging transportation, delivery, distribution, and warehousing services.

Most often, upstream manufacturers of hand tools and household products are often smaller operations who 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 translates into a more streamlined ordering process. Larger trading companies can provide services beyond just order fulfillment encompass total Solution services – this 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 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 acquiring niche players to bolster their product portfolio. An example of this is Test Rite's acquisition in 2013 of International Art, a Christmas and seasonal products specialist based in Shenzhen, China. In 2015, the Company acquired a Germany-based barbecue brand. We will continue to explore additional M&A opportunities going forward.

(3) Developing Trends

With economies becoming increasingly interdependent, combine with the rise of large-scale discount chains, and hypermarkets in the retail industry, the trading industry will likely face increasingly competitive in the future. Trading companies will meet these challenges only by seeking to provide more value-added and efficient services, expanding the size of its own operations and enhancing product and service offerings, Future trends in the trading industry include the following:

A. Specialization in Products and Customer Services

With intensified competition, the role of trading companies must evolve beyond order fulfillment to include sourcing and re-selling. Many larger trading companies have already evolved to become full-service suppliers by providing product consultation and after-sales services 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 fulfill their areas of specialization and competency.

B. New Markets and Competitors Post-WTO Accession Signing of ECFA, FTA between China, Japan and South Korea.

Global trade liberalization remains a key driving force behind the competitive landscape for trading companies. Following Taiwan's accession to the WTO as a full member, trade practices 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 the 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. However, the first round of FTA negotiation in March 2013 between China, Japan and South Korea would have a negative impact on the competitiveness of Taiwanese businesses. Taiwan's government has responded by accelerate negotiations on economic cooperation agreements with other countries to mitigate this impact and further eliminations trade barriers. This has had an impact on trading companies on an on-going basis, including increased pressure from overseas competitors, threats from expansion form emerging markets, and increasingly transparent information on competitors and suppliers in other markets.

C. Applications to Accommodate E-Commerce

The launch of our TR Plus website, which combines TLW and HOLA's online assets, in December 2017 continues to improve the overall user experience in browsing, buying, and interactivity. As 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” products as well as develop “softline” offerings such as partial renovations and house-cleaning services. In addition, we embrace the new retail concept, leading to the consolidation of resources from online, offline and logistics, including the integration of big data, physical stores and IOT.

The sales results for our e-commerce retail business in 2019 were:

- TLW (<https://www.trplus.com.tw/TLW>) – annual sales revenue of NT\$865 million, accounting for 7.7% of total revenue, and 19.5% growth over the previous year;
- HOLA Taiwan (<https://www.trplus.com.tw/Hola>) – annual sales revenue of NT\$329 million, accounting for 6.7% of total revenue, and 22% growth over the previous year.

D. 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, regionally based or brick-and-mortar sales points in the past, to larger companies that have gained stable economies of scale and enjoy significant operating leverage while becoming multi-national or global in presence.

Under these market conditions, smaller manufacturers can work with larger trading companies to become partners of trading companies' network of suppliers. This enables smaller manufacturers to leverage the service platform established by the trading companies and at the same time minimize the financial pressure from more stringent payment terms demanded by the 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.

E. Competition Status

Currently there are no competitors of comparable size in Taiwan to Test-Rite. However, there are many small and medium-sized trading companies in the North American and European markets operating at a much smaller scale than Test Rite in terms of business operation. Test Rite's size enables it to widen the gap versus smaller operators given its relative scale, and portfolio of add-on services such as QA/QC, logistics, and warehousing capabilities.

5.1.3 Research and Development :

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. Our approach is to capitalize on our accumulated experience and resources garnered over the years in services such as product design, packaging design, logistics, and warehousing. Our traditional trading business will continue to be nurtured with key accounts, such as Walmart, O'Reilly, BGE, ALDI, B&B, Costco, and Hillman to name a few. We will also develop new business services and products for multi-national retail operators with comprehensive solutions for cross-border procurement. In addition, we will also be actively developing brand distribution rights for the domestic Taiwan market. Moreover, we will continue to expand partnerships in procurement agency services with existing customers. Currently we represent Michaels, AutoZone, AAFES, At Home, Chewy, Fred's, and HD Supply, and will continue to cultivate additional opportunities to grow our agency business.

B. We continue to expand our procurement team in Southeast Asia to develop new regional procurement sources in support of improving production and marketing cost efficiency. Furthermore, we have set a subsidiary business to provide customers access to product quality assurance and quality control services. We have modularized the trading supply chain to provide customized trading services, thereby expanding our service capacity.

(2) Maintaining Growth Our Retail Business

A. Key focus for TLW and HOLA TW is renovating existing stores to be more experiential and to strengthen the irreplaceability of physical stores. At the same time we will keep developing private label and unique products to solidify our leading position in the market. Starting in Q3 2019, our TLW channel further reinforced its engagement with local communities through the introduction of small-format stores in providing residents with access to high-quality home goods and services. We remain poised to fulfill the full potential of all our retail channels.

B. Taiwan's consumer market is a relatively more mature market, but it is a market where more and more consumers are looking to make purchases to improve their standard of living. In this respect, we have honed in on developing localized services to meet customer demand.

(3) Group Integration

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

2. Important Marketing and Development Strategies

(1) Product Marketing:

A. Strengthen marketing and promotional capabilities on the trading side; continue to nurture our relationships with key customers; take advantage of our existing ISO-90001 certification and specialty in hardline trading product development and packaging; acquire 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, This builds on efforts to retain

customer loyalty and to entrench ourselves as a trusted and reliable supplier. Additionally, to meet the needs of retail customers operating in multiple consumer markets, we work with the marketing/promotional strategies of our customers to offer additional logistics services that are tailored their needs.

C. Enhancing our presence in Taiwan 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 develop hardware, hand tools and household products, thereby reinforce our reinforcing as a trading company specializing in hardline and house ware products. Product innovations to encompass new design concepts, ergonomic benefits, multi-function/specialized functional capabilities, in order to meet-fast-changing consumer demands.

B. Taking advantage of our specialty in hardline trading, we intend to explore possibilities of entering relevant product domains and expand our product lines to realize synergies when combining new and existing products.

C. Both TLW and HOLA are actively developing private label products to extend their product ranges. The main product categories cover-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	2018		2019	
	Amount	%	Amount	%
Asia	20,588,436	51.6%	19,064,621	50.1%
America	16,577,477	41.5%	16,569,196	43.5%
Europe	2,578,230	6.5%	2,298,732	6.0%
Australia and Others	153,807	0.4%	128,264	0.3%
Total	39,897,950	100%	38,060,813	100.0%

A.Export Markets

The U.S. economy remained robust throughout 2019, underscoring our sales volume that constituted 43.5% of total trading consolidated revenue. Our sales to Europe was 6.00%. Demand from Asia continues to grow on the back of brisk economic development and increasing consumption. Test Rite's 11 sales locations span over 8 countries globally, and distribution centers have been established in Taiwan,-Germany, and the United States. Moreover, the US distribution center offers warehousing, and 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 .Construction began on a second warehouse in the U.S. east coast, which is expected to open in 2020 and provide more multi-faceted services to customers.

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 a more comprehensive series of products and product mix, which will enable us to compete more effectively in the markets and to diversify the risk of having only a single product line.

B.Domestic Market

As of the end 2019, Test Rite Group operated 27 TLW (DIY) stores, 5 small TLW stores, 26 HOLA stores, in Taiwan respectively. Our 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

A. Hand tools: Test Rite's subsidiary has shown steady growth in sales income, which is expected to grow in line with the expansion of the overall brand.

B. 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, Demand and Market Growth

Housing and autos have shown strong market demand in North America. Growth in Europe has been steady while growth in the rest of the world been moderate.

4. Competitive Niche

A. Steady and continuing growth of the Company's primary business Trading

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

B. Product innovation contributing to our sales advantages and added value

Competition in the market is becoming more intense. As such, the Company increasingly attaches greater 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 of a dedicated industrial design team to create unique products for the Company's products portfolio.

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

Most of our current customers are the large retailer. With accumulated more than several years of practical experience in procurement for retailers which gain in-depth understanding of retailer's business model. Therefore, we involve in the retail industry and recover the result of retail business gradually.

D. The Company's trading operations provided valuable insights into how the retail industry is evolving globally. We then leveraged this experience to at a retail business level, resulting in our building of a leading DIY and home furnishing retail chains in Taiwan. We expect to continue capitalizing on synergies between our trading and retail businesses 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 products, 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 our growth.

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 notable sales (including that of HOLA Casa and HOLA Petite. The percentage of our private label

products continues to grow steadily, as do average gross margins in HOLA Taiwan. Within the next three years, we anticipate to raise the proportion of the HOLA Taiwan Private Brand to 45% (25% for Test Rite).

Unfavorable Factors:

- A. As demand from emerging economies rises, prices of raw materials are expected to increase accordingly.
- B. Fluctuation in the U.S. dollar relative to Asian currencies
- C. Faster- than-expected increase in labor costs in China
- D. Difficulties passing on pressure on our gross profit margin on to 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 Production Procedures of Main Products

1. Major Products and Their Main Uses:

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

Business Sectors	Major Products	Main Uses
Seasonal	Gardening Christmas 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	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 in Taiwan.

Product Sector	Channel Brand	Sales Merchandise and Services
Home Furnishings	HOLA	<ul style="list-style-type: none"> ●A leader in lifestyle trends, HOLA provides fashionable and diverse furniture supplies. There are 26 stores in Taiwan.
Home Improvement	Test Rite Retail Test Rite good helper decoration union Test Rite Interior Design	<ul style="list-style-type: none"> ●Comprehensive, professional, and leading DIY brands for home improvement supplies and services with 27 stores in Taiwan. ●Cultivating community services, opening the small TLW with 5 stores. ●Provides various communal home and business office decorations, kitchen modifications, plumbing and electrical maintenance, waterproofing and leak repair, as well as air conditioning repair advice. ●Home improvement and decoration services.
Mattresses and Bedding	HOLA CASA HOLA Petite WEDGWOOD FRETTE	<ul style="list-style-type: none"> ●Sells high-quality furniture, such as mattresses, sofas, sofa beds, and leisure chairs. Exclusive agent for world-renowned brands, such as La-Z-Boy lounge chair, Kingstown mattress, and Kaka Home sofa. Conducts sales through open stores and transparent pricing, and provides comfortable shopping spaces. There are a total of 26 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 Fretter premium Italian bedding brand. There are presently 6 store counters.
Healthy Living	Live for Nature	<ul style="list-style-type: none"> ●Healthy grains and tea, organic cotton, environmentally-friendly cleaning products, natural personal cleaning products, fair-trade merchandising, and other related products.
Comprehensive Household Integrated Services	DÉCOR House	<ul style="list-style-type: none"> ●Professional services integrated with home improvement, home furnishing, furniture, bedding, interior design, and full-house decorations. Collaborates with various representative catering, home appliance, and service brands. Positioned as the “Comprehensive Home Integrated Services Solution” provider, the unit’s base in Taoyuan Nankan has a floor area of approximately 4,300 pings and a business area of 17,300 pings. Taiwan’s first large-scale shopping mall for household-themed merchandise.
Brand Agent	Crate & Barrel	<ul style="list-style-type: none"> ●In 2015 American household channel brand launched in shopping centers in Taipei and Taichung Another store opened in 2016 at Top City Taichung; In 2019 our first outlet sore was opened. There are presently 3 store counters.

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

Company Name	2019			2018		
	Amount	Percent	Relation with Issuer	Amount	Percent	Relation with Issuer
A Co.	5,482,412	14%	No relation	5,951,986	15%	No relation
B Co.	5,330,242	13%	No relation	4,770,079	12%	No relation

2. Major Suppliers Information for the Last Two Calendar Years: NA

5.2.5 Production in 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 in the Last Two Years

Unit : NTD\$ million

Business Units	Year	2018		2019	
		Local	Export	Local	Export
		Amount	Amount	Amount	Amount
Principal Trading(Agency)		-	19,514,095	-	19,200,430
Taiwan Retail		16,457,044	-	16,180,294	-
China Retail		-	2,381,534	-	1,314,616
Others		1,111,347	433,930	944,697	420,775
Total		17,568,391	22,329,559	17,124,991	20,935,821

5.3 Human Resources

Test-Rite International Co., Ltd. and Subsidiaries

Year		2018	2018	As of April 30, 2020
No. of Group Employees		5,120	4,690	4,520
Average Age		37.36	38.22	38.63
Average Years of Service		6.6	7.12	7.33
Education	0.00%	0.00%	0.00%	0.02%
	4.49%	4.85%	5.63%	5.58%
	63.43%	64.15%	67.04%	67.57%
	28.43%	27.81%	24.75%	23.93%
	3.65%	3.19%	2.58%	2.90%

Test-Rite International Co., Ltd.

Year		2018	2019	Until April 30, 2020
No. of Group Employees		383	397	382
Average Age		42.69	42.61	42.79
Average Years of Service		9.52	9.38	9.71
Education	Ph.D.	0.00%	0.00%	0.00%
	Masters	14.88%	16.88%	14.92%
	Bachelor's Degree	72.06%	70.03%	72.25%
	Senior High School	12.53%	12.59%	12.30%
	Below Senior High School	0.52%	0.50%	0.52%

5.4 Environmental Expenditure Information:

The Company is an international trade, retail and wholesale business, with zero emissions scenarios. No environmental protection measures are applicable in terms of relevant licenses, payable fees, investment in equipment or personnel to meet requirements.

To increase energy efficiency, we have since 2013 replaced rolled out energy efficient and environmentally friendly lighting equipment. In our stores, 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 expenditure on environmental conservation over the last three years, including installation of energy saving lighting fixtures, waste management and wastewater treatment, are listed in detail as follows:

Items	2017	2018	2019
Installation of energy saving lighting fixtures	1,499,528	1,560,999	3,706,546
Waste management	6,639,815	6,479,894	7,916,732
Wastewater treatment	335,197	490,998	432,249
Total expenses	8,474,540	8,531,891	12,055,527

5.5 Labor Relations

1. The Company's various employee welfare, educational, training, and retirement-programs are implemented in agreement between management and labor and fulfills the rights of labor.

(1) Employee Welfare Programs:

To promote the welfare of our employees and to create an environment in which our employees can enjoy working in, the Company has in place an Employee Welfare Committee to facilitate the promotion and implementation of various employee welfare measures. The funding source of the Employee Welfare Committee is 0.1% of Company's total monthly revenue and 0.5% of the employee's salary. The benefits of Employee Welfare Committee include birthday gifts, gift certificates, employee travel benefit, wedding and funeral allowances, emergency assistance, group subsidies, sports meetings, specific store offers. For the benefit of employee physical and mental health, we work with Hsinchu Life Line to provide the free consultation for employees and we also cooperate with the Blood Service Foundation on setting up blood donation days, and hold health forum with the relevant units. In addition, the Company's welfares program contain provision for employee health plans (labor insurance, health insurance, group/commercial insurance and employee physical examinations), employee shopping discounts, product sample auctions, senior employee rewards, festivities, and the end-of-year party.

(2) Employee Education and Training Programs

Continued learning forms a key elements to avoid obsolescence in the face of market competition. The Company's educational training program includes 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 2019, we introduced a new gaming-learning platform called " PaGamO ", which turns traditional training materials into question-and-answer format as way of learning. Trainees are awarded with treasures and badges when answering correctly in the game. Furthermore, various types of awards are given when physically attending activities or training classes. The new gaming-learning model, breaks from traditional training formats and combines online and offline experiences, to successfully create an environment that improves the willingness of participants to learn at Test Rite, thus enriching their learning experience and personal growth. This further illustrates the Company's emphasis and commitment 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 shape company culture, it promotes case studies and new cultural experience activities, so that executives actively discuss and share feasible practices with each other and within the unit in a classroom setting. This contributes to entrench corporate culture.
- 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 experiences. 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. For instance, we bring together our professional "masters" from all stores into different group setting, and give them missions from gathering, organizing professional knowledge, to holding workshop activities. Based on product categories and services, experience and professional training, discussions are held that builds a database to

be applied to all units in the Company. Externally, it can be used to meet customers' needs and increase satisfaction; Internally, it is a tool to maintain and pass down our professional knowledge, improve the exchange of information among stores, and motivate our employees to improve their personal skills. Moreover, the Company provides employees with the opportunity to work overseas and subsidizes their foreign language learning expenses.

- C. General knowledge training and orientation: Various general knowledge courses for various levels of the management are designed based on individual employees' general knowledge functions, with the aim of helping them improve their efficiency. These courses include communication skills, presentation skills, work management, problem analysis and resolution, and customer service. The company attaches much importance to employees' level of identification with the company's culture. During orientation, senior executives personally introduce the company's development and strategies. Courses are also designed to introduce the company's values, so that employees understand that the company values 'honesty, responsibility, and humility.' In addition, a mentor system has been introduced to provide continuous attention to new employees and help them to quickly adapt to the Company's environment. Additionally, we has a digital learning platform, and have developed a wide variety of e-learning courses to provide employees with diverse learning channels and resources. Educational and training outcomes over the past two years (2019) are as follows:

Training programs	Training sessions	Attendees	Training Hours	Training expense
General knowledge training	29	8,114	6,322	\$9,781,605
Specialized training	278	11,473	42,634	
Management training	36	572	3,015	
Total	343	20,159	51,971	

(3) Staff ethical conduct and code of ethics

- A. The company has established code of conduct or staff to follow in their daily work. All employees are required to comply with the ethical conduct and code of ethics of the Company. For example, to adhere to 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 prohibited from using their position to accept gifts or favors.
- B. All staff members sign a confidentiality agreement that stipulates they should carefully manage 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 proprietary 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 a Code of Ethics for Business Management and Integrity Declaration and Undertaking. Employees are encouraged to find breaches in the rules or the Code of Practices Act, which can be reported via a special mailbox.

- F. In order to maintain gender equality and respect at work, the Company prohibits all sexual harassment behavior in the work place. "Sexual Harassment Prevention Measures, Claims, and Disciplinary Regulations," are in place and employees are encouraged to participate in gender-related educational workshops.
 - G. Measures in place to advocate the above provisions. Their contents can also be found in the Company's internal messaging systems and the Company's official website.
- (4) Retirement programs and status of implementation:
- A. The company has 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 an employee's individual pension contributing the equivalent of 6% of monthly salary and wages.
 - B. The company has 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 salary of the six months prior to retirement. The Company contributes an amounts equal to 4% of the total monthly salary 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 of the Ministry of Labor or under mandated management. In accordance with Regulations for Revenues, Expenditures, Safeguarding 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 2019, the fair value of the assets in the Company's retirement fund was NTD47,109million; the figure for the consolidated company was NTD365,321million.
- (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 is available 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. In the past two years, the Company has had only one case of labor mediation that resulted in a NT\$100,000 settlement. The Company is committed to strengthening communications with employees and intends to maintain benefit programs that are satisfactory to them so as to promote harmonious labor relations and to reduce the likelihood of any labor disputes in the future.

5.6 Important Contracts

December 31, 2019

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	2019.06.17 ~ 2024.06.17	Borrower: Test Rite International Co., Ltd. Project: Credit financing/credit cycles financing	Financial debt ratio cannot exceed 150% 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	2019.05.15 ~ 2023.05.15	Borrower: Chung Cin Enterprise Co., Ltd. Project: Secured financing	Loan secured by the construction land of Chung Cin Enterprise Co., Ltd.
Long-term loan	First Commercial Bank	2019.09.27 ~ 2022.09.27	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None
Long-term loan	Chang Hwa Commercial Bank	2019.08.08 ~ 2022.08.08	Borrower: Test Rite Retail Co., Ltd. Project: Credit financing	None
Long-term loan	Taishin International Bank	2019.06.26 ~ 2021.06.26	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	2019.09.25 ~ 2021.09.25	Borrower: Test Rite International Co., Ltd. Project: Credit cycles financing	None
Long-term loan	KGI Commercial Bank	2019.09.25 ~ 2021.09.25	Borrower: Test Rite Retailing Co., Ltd. Project: Credit cycles financing	None
Long-term loan	KGI Commercial Bank	2019.12.02 ~ 2021.12.02	Borrower: Chung Cin Enterprise Co., Ltd. Project: Credit cycles financing	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan	Taiwan Business Bank	2019.06.24~ 2022.06.24	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	The Export-Import Bank of the Republic of China	2019.05.26~ 2025.05.26	Borrower: Test Rite International Co., Ltd. Project: Credit financing	None
Long-term loan	The Export-Import Bank of the Republic of China	2019.12.06~ 2025.12.26	Borrower: Chung Cin Enterprise Co., Ltd. Project: Credit 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	Hua Nan Commercial Bank	2019.11.27~ 2022.11.27	Borrower: Test Rite Retail Co., Ltd. Project: Credit cycles financing	None
Long-term loan	Bank SinoPac Company Limited	2019.11.21~ 2021.11.30	Borrower: Test Rite International Co., Ltd. Project: Credit cycles financing	Financial 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	Bank Sino Pac Company Limited	2019.11.21~ 2021.11.30	Common Borrower: Test Rite Retailing Co., Ltd. 、 Test Rite Trading Co., Ltd. Project: credit cycles financing	None
Long-term loan	Mega International Commercial Bank Co., Ltd.	2019.07.19~ 2021.07.18	Borrower: Chung Can Enterprise Co., Ltd. Project: Credit financing	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Consolidated Balance Sheet

Unit : NTD\$ thousand

Item	Year	Year 2015-2019 Financial Summary (Note1)					2020/3/31 (Note2)
		2015	2016	2017	2018	2019	
Current Assets		13,023,367	12,662,427	11,851,316	13,362,576	13,600,889	13,799,935
Property, Plant and Equipment Note(2)		6,411,230	5,841,696	5,618,359	6,886,512	6,490,332	6,549,226
Right-of-use asset		-	-	-	-	9,606,013	9,149,443
Intangible Assets		2,613,288	2,571,957	2,571,107	2,591,183	2,577,136	2,564,512
Other Assets Note(2)		3,147,361	3,241,218	2,831,496	3,157,748	3,401,580	3,308,254
Total Assets		25,195,246	24,317,298	22,872,278	25,998,019	35,675,950	35,371,370
Current Liabilities	Before allocation	10,808,606	10,808,606	10,230,994	12,052,649	12,037,256	12,879,330
	After allocation	11,333,790	11,359,284	10,842,859	12,705,305	12,389,119	12,879,330
Non-Current Liabilities		5,672,052	6,092,409	4,969,017	6,531,886	17,202,047	16,293,578
Total Liabilities	Before allocation	16,901,015	16,901,015	15,200,011	18,584,535	29,239,303	29,172,908
	After allocation	17,426,199	17,451,693	15,811,876	19,237,191	29,591,166	29,172,908
Equity attributable to owners of the parent		7,425,940	7,412,893	7,630,402	7,337,855	6,297,150	6,054,220
Capital Stock		5,098,875	5,098,875	5,098,875	5,098,875	5,098,875	5,098,875
Capital Surplus	Before allocation	673,456	673,456	647,962	647,962	353,084	1,221
	After allocation	673,456	647,962	647,962	353,084	1,221	1,221
Retained Earnings	Before allocation	1,806,942	1,806,942	2,064,003	1,832,432	1,555,352	1,677,096
	After allocation	1,281,758	1,281,758	1,452,138	1,452,138	1,555,352	1,677,096
Other Equity		(28,857)	(166,380)	(180,438)	(241,414)	(396,905)	(409,716)
Treasury Stock		-	-	-	-	(313,256)	(313,256)
Non-Controlling Interest		3,482	3,390	41,865	75,629	139,497	144,242
Total Equity	Before allocation	7,429,422	7,416,283	7,672,267	7,413,484	6,436,647	6,198,462
	After allocation	6,945,029	6,865,605	7,060,402	6,760,828	6,084,784	6,198,462

- Note:
- 1.2015-2019 financial data have been duly audited by independent auditors.
 2. Those who have been made assets revolution should be noted the revaluation date incremental value.
 - 3.March 31, 2020 financial data have been reviewed by independent auditors.

6.1.2 Condensed Standalone Balance Sheet

Unit : NTD\$ thousand

Item		Year 2015-2019 Financial Summary (Note)				
		2015	2016	2017	2018	2019
Current Assets		4,561,836	3,559,022	4,025,327	5,073,774	5,894,578
Property, Plant and Equipment Note(2)		792,375	800,823	774,042	746,479	715,048
Right-of-use asset		-	-	-	-	209,710
Intangible Assets		50,183	43,996	44,174	34,302	52,502
Other Assets Note(2)		9,383,615	10,161,004	9,282,690	10,075,364	10,774,406
Total Assets		14,788,009	14,564,845	14,126,233	15,929,919	17,646,244
Current Liabilities	Before allocation	3,650,880	3,136,391	3,296,593	4,251,793	4,083,906
	After allocation	4,135,273	3,661,575	3,908,458	4,904,449	4,435,769
Non-Current Liabilities		3,711,189	4,015,561	3,199,238	4,340,271	7,265,188
Total Liabilities	Before allocation	7,362,069	7,151,952	6,495,831	8,592,064	11,349,094
	After allocation	7,846,462	7,677,136	7,107,696	9,244,720	11,700,957
Equity attributable to owners of the parent		-	-	-	-	-
Capital Stock		5,098,875	5,098,875	5,098,875	5,098,875	5,098,875
Capital Surplus		673,456	673,456	647,962	647,962	353,084
Retained Earnings	Before allocation	1,682,466	1,806,942	2,064,003	1,832,432	1,555,352
	After allocation	1,198,073	1,281,758	1,452,138	1,179,776	1,203,489
Other Equity		(28,857)	(166,380)	(180,438)	(241,414)	(396,905)
Treasury Stock		-	-	-	-	(313,256)
Non-Controlling Interest		-	-	-	-	-
Total Equity	Before allocation	7,425,940	7,412,893	7,630,402	7,337,855	6,297,150
	After allocation	6,941,547	6,887,709	7,018,537	6,685,199	5,945,287

Note:

1. 2015-2019 financial data have been duly audited by independent auditors.
2. Those who have been made assets revolution should be noted the revaluation date incremental value
3. The earnings allocation plan by was approved the board of directors on March 25, 2020 and is up for voting at the shareholders' meeting.

6.1.3 Condensed Consolidated statement of Income - IFRSs

Unit : NTD\$ thousand

Item	Year	Year 2015-2019 Financial Summary (Note1)					2020/3/31 (Note2)
		2015	2016	2017	2018	2019	
Revenue		35,981,451	35,443,444	36,963,212	39,897,950	38,060,813	9,215,825
Operating revenue		11,302,872	11,258,814	10,782,667	10,260,989	10,309,142	2,469,670
Gross profit		810,467	824,820	960,655	482,642	856,622	211,284
Non-operating income and expense		54,638	67,543	150,349	(136,585)	(765,273)	(49,236)
Income before tax		865,105	892,363	1,111,004	346,057	91,349	162,048
Income from operations of continued segments - after tax		670,485	676,020	826,105	418,921	111,500	126,814
Income from discontinued operations		-	-	-	-	-	-
Profit or loss for the period		670,485	676,020	826,105	418,921	111,500	126,814
Other comprehensive income		(131,293)	(204,766)	(54,354)	(61,575)	(189,147)	(13,136)
Total comprehensive income		539,192	471,254	771,751	357,346	(77,647)	113,678
Allocations of profit or loss for the period attributable to owners of the parent.		670,509	676,029	823,012	406,493	100,355	122,069
Allocations of profit or loss for the period attributable to non-controlling interest.		(24)	(9)	3,093	12,428	11,145	4,745
Allocations of total comprehensive income for the period attributable to owners of the parent.		540,899	471,346	768,703	344,713	(88,775)	108,933
Allocations of total comprehensive income for the period attributable to non-controlling interest.		(1,707)	(92)	3,048	12,633	11,128	4,745
Earnings per share		1.32	1.33	1.61	0.80	0.20	0.25

Note1 : 2015-2019 financial data have been duly audited by independent auditors.

Note2 : March 31, 2020 financial information is audited by accountant.

6.1.4 Condensed Standalone statement of Income

Unit : NTD\$ thousand

Item \ Year	Year 2015-2019 Financial Summary(Note)				
	2015	2016	2017	2018	2019
Revenue	12,679,062	11,998,176	15,686,507	18,008,799	17,289,263
Operating revenue	2,621,452	2,603,561	2,944,136	2,732,017	2,631,781
Gross profit	112,458	224,802	470,664	194,296	146,877
Non-operating income and expense	607,064	495,887	377,444	34,310	(190,482)
Income before tax	719,522	720,689	848,108	228,606	(43,605)
Income from operations of continued segments - after tax	670,509	676,029	823,012	406,493	100,355
Income from discontinued operations	-	-	-	-	-
Profit or loss for the period	670,509	676,029	823,012	406,493	100,355
Other comprehensive income	(129,610)	(204,683)	(54,309)	(61,780)	(189,130)
Total comprehensive income	540,899	471,346	768,703	344,713	(88,775)
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	1.32	1.33	1.61	0.80	0.20

Note : 2015-2019 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
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, Ming-Yu Chiu	Unqualified opinion
2019	CHI-Ming Hsu, YU,HUNG-Bin	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item		Year	Financial analysis in the past 5 years (Note1)					2020/3/31 (Note2)
		2015	2016	2017	2018	2019		
Financial structure (%)	Ratio of liabilities to assets	70.51	69.5	66.46	71.48	81.96	82.48	
	Ratio of long-term capital to Property, Plant and Equipment	204.30	231.25	225.00	202.50	251.00	240.31	
Solvency (%)	Current ratio	107.69	117.15	115.84	110.87	112.99	107.15	
	Quick ratio	48.98	52.37	53.93	60.28	55.99	56.95	
	Times interest earned ratio	5.00	4.89	5.88	2.19	1.19	2.6	
AR/AP (turnover)	Accounts receivable turnover (turns)	12.89	14.36	13.47	10.54	8.68	8.34	
	Average collection period	28.31	25.41	27.09	34.62	42.05	43.76	
	Inventory turnover (turns)	3.98	3.62	4.13	4.64	4.52	4.31	
	Accounts payable turnover (turns)	4.21	4.16	4.62	4.64	4.41	4.28	
	Average days in sales	91.70	100.82	88.37	78.66	80.75	84.68	
	Property, Plant and Equipment turnover (turns)	5.78	5.79	6.27	6.38	5.69	5.65	
	Total assets turnover (turns)	1.44	1.43	1.57	1.63	1.23	1.04	
Profitability	Return on total assets (%)	3.39	3.43	4.22	2.10	1.56	0.29	
	Return on stockholders' equity (%)	9.09	9.11	10.94	5.43	1.47	1.98	
	Operating income Ratio to issued capital (%)	15.90	16.18	18.84	9.04	16.80	4.14	
	Pretax income Ratio to issued capital (%)	16.97	17.50	21.79	6.79	1.79	3.18	
	Operating profit Profit ratio (%)	1.86	1.91	2.23	1.02	0.29	1.32	
	Earnings per share (\$)	1.32	1.33	1.61	0.80	0.20	0.25	
Cash flow	Cash flow ratio (%)	12.78	22.82	3.32	8.17	18.63	1.88	
	Cash flow adequacy ratio (%)	81.38	121.80	81.63	67.77	79.45	83.96	
	Cash reinvestment ratio (%)	5.52	10.69	-1.91	2.12	9.60	-0.71	
Leverage	Operating leverage	15.32	15.04	12.20	25.47	11.94	12.58	
	Financial leverage	1.36	1.39	1.31	2.73	2.35	1.92	

Reasons for changes in the various consolidated financial ratios for the two-year period of 2018-2019. (No analysis needed for increases or decreases that are less than 20%.)

1. Increase in the ratio of long-term funds to real estate, plant and equipment mainly due to the increase in long-term liabilities.
2. Increase in average number of cash collection days mainly due to higher average balance of accounts receivable vs. previous year.
3. Decrease in interest protection multiple, return on equity, net profit margin and earnings per share mainly due to the decrease in net profit for the current period.
4. Increase in cash flow ratio and cash reinvestment ratio mainly due to the increase in cash flow from operating activities in the current period.
5. Increase in the ratio of operating profit to paid-in capital and operating leverage mainly due to the increase in operating profit for the current period.
6. Decline in the total asset turnover rate mainly due to the increase in assets resulting from the application of the new IFRS 16 guidelines.

Note:

1. 2015-2019 financial data have been duly audited by independent auditors.
2. 1Q/2020 financial data have been reviewed by independent auditors.

6.2.2 Standalone Financial Analysis

Item		Financial analysis in the past 5 years (Note)				
		2015	2016	2017	2018	2019
Financial structure (%)	Ratio of liabilities to assets	49.78	49.10	45.98	53.94	64.31
	Ratio of long-term capital to Property, Plant and Equipment	1,330.57	1,427.09	1,399.10	1,564.43	1,896.70
Solvency (%)	Current ratio	124.95	113.48	122.11	119.33	144.34
	Quick ratio	117.54	107.10	118.17	118.02	140.31
	Times interest earned ratio	9.54	9.19	9.21	2.61	0.70
AR/AP (turnover)	Accounts receivable turnover (turns)	3.38	3.62	4.99	4.51	3.70
	Average collection period	108	101	73	81	99
	Inventory turnover (turns)	45.40	59.31	131.57	430.10	4,032.95
	Accounts payable turnover (turns)	4.92	4.54	5.49	5.52	4.66
	Average days in sales	8	6	3	1	0.1
	Property, Plant and Equipment turnover (turns)	18.40	15.06	19.92	23.69	23.66
	Total assets turnover (turns)	0.86	0.82	1.09	1.20	1.03
Profitability	Return on total assets (%)	5.00	5.10	6.33	3.46	1.29
	Return on stockholders' equity (%)	9.09	9.11	10.94	5.43	1.47
	Operating income Ratio to issued capital (%)	2.21	4.41	9.23	3.81	2.88
	Pretax income Ratio to issued capital (%)	14.11	14.13	16.63	4.48	-0.86
	Operating profit	5.29	5.63	5.25	2.26	0.58
	Profit ratio (%)	1.32	1.33	1.61	0.80	0.20
Cash flow	Earnings per share (\$)	39.12	64.78	22.37	9.97	7.77
	Cash flow ratio (%)	74.21	223.00	153.79	130.48	152.28
	Cash flow adequacy ratio (%)	7.51	13.25	1.68	-1.57	-2.45
Leverage	Cash reinvestment ratio (%)	12.58	6.42	3.15	5.78	7.07
	Operating leverage	3.98	1.64	1.28	3.71	66.94
	Financial leverage					

Reasons for changes in the various financial ratios for the two-year period of 2018-2019. (No analysis needed for increases or decreases that are less than 20%.)

1. Increase in the current ratio due to the increase in receivables in the current period and the application of the new IFRS16 financial lease receivables guidelines.
2. Increase in the ratio of long-term funds to real estate, plant and equipment due to the increase in long-term borrowings and long-term lease liabilities in the current period.
3. Decrease in the interest protection multiple due to the decrease in net profit before tax in the current period and the increase in interest expenses due to the increase in demand for capital borrowing.
4. Increase in average cash collection days due to the decrease in the receivables turnover rate due to the increase in the receivables in the current period.
5. Increase in the inventory turnover rate and decrease in the average sales days due to the decrease in the beginning and end of the period inventory and the decrease in the average inventory due to the transfer of domestic sales in the previous year. Therefore, the inventory turnover rate increased and the average sales days decreased.
6. Changes in the return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share all due to the decline in net profit for the period.
7. Decrease in the ratio of operating profit to paid-in capital due to the decrease in operating net profit in the current period.
8. Decrease in cash flow ratio mainly due to the decrease in net cash flow from operating activities.
9. Decrease in the cash reinvestment ratio mainly due to the decrease in net cash flow from operating activities and the increase in other non-current assets due to the increase in lease receivables resulting from the application of IFRS16 guidelines during the period.
10. Increase in operating leverage and financial leverage mainly due to the decrease in operating net profit for the period.

Note: 2015-2019 financial data have been duly audited by independent auditors.

Note 2 : Formulas for the above table:

1. Financial structure

(1) Debt to asset ratio = $\text{Total liabilities} / \text{Total assets}$

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

2. Solvency

(1) Current ratio = $\text{Current assets} / \text{Current liabilities}$

(2) Quick ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepaid expenses}) / \text{Current liabilities}$

(3) Interest cover = $\text{Income before interest and tax} / \text{Interest expense}$

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

(1) Accounts receivable turnover = $\text{Net revenue} / \text{Average accounts receivable}$

(2) Average collection days = $365 / \text{AR turnover ratio}$

(3) Inventory turnover = $\text{COGS} / \text{Average inventory}$

(4) Accounts payable turnover = $\text{COGS} / \text{Average accounts payable}$

(5) Average days sales = $365 / \text{Inventory turnover ratio}$

(6) Fixed asset turnover = $\text{Net revenue} / \text{Net fixed assets}$

(7) Total asset turnover = $\text{Net revenue} / \text{Total assets}$

4. Profitability

(1) Return on assets = $[\text{Net income} + \text{Interest expense} * (1 - \text{Tax rate})] / \text{Average assets}$

(2) Return on equity = $\text{Net income} / \text{Average equity}$

(3) Net income margin = $\text{Net income} / \text{Net sales}$

(4) EPS = $(\text{Net income} - \text{Preferred stock dividend}) / \text{Weighted average outstanding shares}$

5. Cash flow

(1) Cash flow ratio = $\text{Cash flow from operating activities} / \text{Current liabilities}$

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

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

6. Leverage

(1) Operating leverage = $(\text{Net revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$

(2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expense})$

6.3 Audit Committee's Review Report for 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 hereby provide the company's business report, consolidated financial statements and motion for profit appropriation in 2019. Audited independent auditors Mr. HSU, CHI-Ming and Mr. YU, HUNG-BIN of Deloitte Touched, hereby issue an unqualified audit report

The above mentioned business report, consolidated financial statements and motion for profit appropriation was approved and considered in compliance with the relevant laws and regulations by the Audit Committee. Based on Article 14-4 of the 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 25, 2020

6.4 Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019 is as follows:

Existence of Sales Revenue

The Group's main source of revenues is export sales, and one of the major customers of the export sales has been significant for the Group's revenue. We therefore considered that the existence of sales revenue from this major customer as a key audit matter for 2019. 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 are as follows:

1. Understanding and testing the design and the implementation of internal control of sales revenue.
2. Selecting samples of sales revenue items from this major customer to ensure the occurrence of transactions.
3. Obtaining the confirmation of the ending balance of accounting receivables and performing the test of subsequent collection of this customer to verify 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, 2019 and 2018 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, 2019 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 Chi-Ming Hsu and Hung-Bin Yu.

Deloitte & Touched
Taipei, Taiwan
Republic of China

March 25, 2020

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 prep

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,462,426	4	\$ 1,995,662	8
Financial assets at fair value through profit or loss - current (Note 7)	620,732	2	303,131	1
Financial assets at amortized cost - current (Notes 4 and 8)	22,937	-	30,810	-
Contract assets - current (Notes 4 and 22)	216,962	1	204,203	1
Notes receivable from unrelated parties (Note 9)	51,707	-	64,925	-
Trade receivables from unrelated parties (Note 9)	4,165,566	12	4,485,420	17
Finance lease receivables	21,544	-	-	-
Other receivables	101,865	-	127,351	1
Inventories (Note 10)	6,493,270	18	5,779,602	22
Prepayments	367,967	1	317,108	1
Other current financial assets	41,705	-	17,755	-
Other current assets	<u>34,208</u>	<u>-</u>	<u>36,609</u>	<u>-</u>
Total current assets	<u>13,600,889</u>	<u>38</u>	<u>13,362,576</u>	<u>51</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	54,069	-	49,213	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	9,268	-	43,991	-
Property, plant and equipment (Note 13)	6,490,332	18	6,886,512	27
Right-of-use assets (Note 14)	9,606,013	27	-	-
Goodwill (Note 15)	2,356,155	7	2,361,198	9
Other intangible assets (Note 16)	220,981	1	229,985	1
Deferred tax assets (Note 4)	1,545,315	4	1,436,403	6
Finance lease receivables - non-current	113,350	-	-	-
Refundable deposits (Note 6)	1,253,155	4	993,070	4
Other non-current assets (Notes 4 and 20)	<u>426,423</u>	<u>1</u>	<u>635,071</u>	<u>2</u>
Total non-current assets	<u>22,075,061</u>	<u>62</u>	<u>12,635,443</u>	<u>49</u>
TOTAL	<u>\$ 35,675,950</u>	<u>100</u>	<u>\$ 25,998,019</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 1,307,151	4	\$ 2,146,783	8
Short-term bills payable (Note 17)	49,978	-	99,966	-
Financial liabilities at fair value through profit or loss - current (Note 7)	321	-	16,017	-
Contract liabilities - current (Notes 4 and 22)	72,066	-	65,816	-
Notes payable to unrelated parties	27,571	-	40,095	-
Trade payables to unrelated parties	6,399,111	18	6,118,110	24
Other payables (Notes 18 and 19)	1,630,551	5	1,621,052	6
Current tax liabilities (Note 4)	77,628	-	122,687	1
Lease liabilities - current (Note 14)	1,721,577	5	-	-
Advance receipts	541,394	2	597,015	2
Current portion of long-term borrowings (Note 17)	85,180	-	1,073,571	4
Other current liabilities	<u>124,728</u>	<u>-</u>	<u>151,537</u>	<u>1</u>
Total current liabilities	<u>12,037,256</u>	<u>34</u>	<u>12,052,649</u>	<u>46</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	9,424,773	26	6,094,520	23
Deferred tax liabilities (Note 4)	18,218	-	20,907	-
Lease liabilities - non-current (Note 14)	7,348,041	21	-	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	154,425	-	130,585	1
Guarantee deposits received	209,262	1	225,527	1
Other non-current liabilities	<u>47,328</u>	<u>-</u>	<u>60,347</u>	<u>-</u>
Total non-current liabilities	<u>17,202,047</u>	<u>48</u>	<u>6,531,886</u>	<u>25</u>
Total liabilities	<u>29,239,303</u>	<u>82</u>	<u>18,584,535</u>	<u>71</u>
EQUITY ATTRIBUTABLE TO OWNERS OF TEST-RITE				
Share capital				
Ordinary shares (Note 21)	<u>5,098,875</u>	<u>14</u>	<u>5,098,875</u>	<u>20</u>
Capital surplus (Note 21)	<u>353,084</u>	<u>1</u>	<u>647,962</u>	<u>2</u>
Retain earnings (Note 21)				
Legal reserve	1,229,705	4	1,189,056	4
Special reserve	241,414	1	180,438	1
Unappropriated earnings	<u>84,233</u>	<u>-</u>	<u>462,938</u>	<u>2</u>
Total retain earnings	<u>1,555,352</u>	<u>5</u>	<u>1,832,432</u>	<u>7</u>
Other equity (Note 21)	<u>(396,905)</u>	<u>(1)</u>	<u>(241,414)</u>	<u>(1)</u>
Treasury shares (Note 21)	<u>(313,256)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Company	6,297,150	18	7,337,855	28
NON-CONTROLLING INTERESTS	<u>139,497</u>	<u>-</u>	<u>75,629</u>	<u>1</u>
Total equity	<u>6,436,647</u>	<u>18</u>	<u>7,413,484</u>	<u>29</u>
TOTAL	<u>\$ 35,675,950</u>	<u>100</u>	<u>\$ 25,998,019</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 22)	\$ 38,060,813	100	\$ 39,897,950	100
OPERATING COSTS (Note 10)	<u>27,751,671</u>	<u>73</u>	<u>29,636,961</u>	<u>74</u>
GROSS PROFIT	10,309,142	27	10,260,989	26
OPERATING EXPENSES				
Selling and marketing expenses	7,775,258	21	8,070,576	20
General and administrative expenses	1,678,519	4	1,702,533	5
Expected credit (gain) loss	<u>(1,257)</u>	<u>-</u>	<u>5,238</u>	<u>-</u>
Total operating expenses	<u>9,452,520</u>	<u>25</u>	<u>9,778,347</u>	<u>25</u>
PROFIT FROM OPERATIONS	<u>856,622</u>	<u>2</u>	<u>482,642</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	28,902	-	24,932	-
Other income	161,263	1	150,962	-
Gain on sale of investments, net	14,284	-	10,537	-
Foreign exchange gains	124,507	-	151,708	1
Net gain on financial instruments at fair value through profit or loss	34,566	-	5,022	-
Interest expense	(491,810)	(1)	(292,010)	(1)
Other expenses	(366,037)	(1)	(77,126)	-
Loss on disposal of property, plant and equipment	(34,809)	-	(86,454)	-
Impairment loss (Note 13)	<u>(236,139)</u>	<u>(1)</u>	<u>(24,156)</u>	<u>-</u>
Total non-operating income and expenses	<u>(765,273)</u>	<u>(2)</u>	<u>(136,585)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	91,349	-	346,057	1
INCOME TAX BENEFIT (Notes 4 and 23)	<u>20,151</u>	<u>-</u>	<u>72,864</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>111,500</u>	<u>-</u>	<u>418,921</u>	<u>1</u>

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (33,572)	-	\$ (26,221)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(3,313)	-	(1,161)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(152,262)</u>	<u>-</u>	<u>(34,193)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(189,147)</u>	<u>-</u>	<u>(61,575)</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR				
	<u>\$ (77,647)</u>	<u>-</u>	<u>\$ 357,346</u>	<u>1</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 100,355	-	\$ 406,493	1
Non-controlling interests	<u>11,145</u>	<u>-</u>	<u>12,428</u>	<u>-</u>
	<u>\$ 111,500</u>	<u>-</u>	<u>\$ 418,921</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (88,775)	-	\$ 344,713	1
Non-controlling interests	<u>11,128</u>	<u>-</u>	<u>12,633</u>	<u>-</u>
	<u>\$ (77,647)</u>	<u>-</u>	<u>\$ 357,346</u>	<u>1</u>
EARNINGS PER SHARE (Notes 4 and 24)				
Basic	<u>\$ 0.20</u>		<u>\$ 0.80</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 0.80</u>	

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

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of Test-Rite											Non-controlling Interests	Total Equity
	Share Capital			Retained Earnings			Other Equity			Treasury Shares	Total		
	Share (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2018	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	-	-	-	-	-	-	-	(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 21)													
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 (Note 25)	-	-	-	-	-	-	-	-	-	-	-	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
Effect of retrospective application (Note 3)	-	-	-	-	-	13,125	-	-	-	-	13,125	604	13,729
ADJUSTED BALANCE, JANUARY 1, 2019	509,888	5,098,875	647,962	1,189,056	180,438	476,063	(214,883)	-	(26,531)	-	7,350,980	76,233	7,427,213
Appropriation of 2018 earnings (Note 21)													
Legal reserve	-	-	-	40,649	-	(40,649)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	60,976	(60,976)	-	-	-	-	-	-	-
Cash dividends	-	-	(295,735)	-	-	(356,921)	-	-	-	-	(652,656)	-	(652,656)
Cash dividends to subsidiaries' shareholders	-	-	-	-	-	-	-	-	-	-	-	(13,938)	(13,938)
Net profit for the year ended December 31, 2019	-	-	-	-	-	100,355	-	-	-	-	100,355	11,145	111,500
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(33,639)	(152,178)	-	(3,313)	-	(189,130)	(17)	(189,147)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	66,716	(152,178)	-	(3,313)	-	(88,775)	11,128	(77,647)
Buy-back of ordinary shares (Note 21)	-	-	-	-	-	-	-	-	-	(313,256)	(313,256)	-	(313,256)
Changes in percentage of ownership interests in subsidiaries	-	-	857	-	-	-	-	-	-	-	857	66,074	66,931
BALANCE AT DECEMBER 31, 2019	509,888	\$ 5,098,875	\$ 353,084	\$ 1,229,705	\$ 241,414	\$ 84,233	\$ (367,061)	\$ -	\$ (29,844)	\$ (313,256)	\$ 6,297,150	\$ 139,497	\$ 6,436,647

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 91,349	\$ 346,057
Adjustments for:		
Depreciation expense	2,558,398	611,339
Amortization expense	122,773	113,001
Expected credit (gain) loss recognized on trade receivables	(1,257)	5,238
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(34,566)	(5,022)
Interest expense	491,810	292,010
Interest income	(28,902)	(24,932)
Compensation costs of share-based payment	776	-
Loss on disposal and impairment of property, plant and equipment	34,809	86,454
Gain on disposal of investments	(14,284)	(10,537)
Impairment loss	236,139	24,156
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(284,447)	318,427
Contract assets	(12,759)	(67,610)
Notes receivable	13,218	(18,871)
Trade receivables	321,111	(1,504,088)
Other receivables	25,589	250,054
Inventories	(713,668)	143,554
Prepayments	(117,933)	(24,797)
Other current assets	2,401	285
Other financial assets	(1)	1,319
Other operating assets	(14,969)	42,264
Contract liabilities	6,250	(24,256)
Notes payable	(12,524)	28,188
Trade payables	281,001	602,670
Other payables	37,667	156,120
Advance receipts	(55,621)	119,554
Other current liabilities	(26,809)	38,521
Other operating liabilities	(23,957)	(60,176)
Cash generated from operations	2,881,594	1,438,922
Interest received	28,799	25,073
Interest paid	(498,608)	(287,529)
Income tax paid	(169,665)	(191,384)
Net cash generated from operating activities	<u>2,242,120</u>	<u>985,082</u>
Purchase of financial assets at amortized cost	(155,527)	(28,588)
Proceeds from sale of financial assets at amortized cost	198,123	191,470
Net cash outflow on acquisition of subsidiaries	-	(46,195)

(Continued)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at fair value through other comprehensive income	(8,567)	-
Payments for property, plant and equipment	(1,102,277)	(2,045,143)
Proceeds from disposal of property, plant and equipment	2,005	7,355
Increase in refundable deposits	(260,085)	(189,080)
Payments for intangible assets	(29,972)	(77,858)
Decrease in finance lease receivables	15,777	-
Other non-current assets	<u>(109,730)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,450,253)</u>	<u>(2,188,039)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(839,632)	934,945
Proceeds from (repayments of) short-term bills payable	(49,988)	19,974
Proceeds from long-term borrowings	19,660,846	8,922,539
Repayments of long-term borrowings	(17,318,984)	(7,477,418)
Decrease in guarantee deposits received	(16,265)	(4,750)
Dividends paid	(652,656)	(611,865)
Repayment of the principal portion of lease liabilities	(1,790,268)	-
Payments for buy-back of ordinary shares	(313,256)	-
Changes in non-controlling interests	<u>52,217</u>	<u>(4,753)</u>
Net cash (used in) generated from financing activities	<u>(1,267,986)</u>	<u>1,778,672</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(57,117)</u>	<u>(41,200)</u>
NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(533,236)	534,515
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,995,662</u>	<u>1,461,147</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,462,426</u>	<u>\$ 1,995,662</u>

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

(Concluded)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by Test-Rite’s board of directors on March 25, 2020.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, 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 did not have material impact on the Group’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes 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 are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.69%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 12,752,156
Less: Recognition exemption for short-term leases	(4,607)
Less: Recognition exemption for leases of low-value assets	<u>(648)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 12,746,901</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 10,935,552</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 10,935,552</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Lease receivables - current	\$ -	\$ 18,535	\$ 18,535
Lease receivables - non-current	-	132,136	132,136
Prepayments for leases - current	67,074	(67,074)	-
Prepayments for leases - non-current	301,344	(301,344)	-
Property, plant and equipment	6,886,512	(526,942)	6,359,570
Right-of-use assets	<u>-</u>	<u>11,693,970</u>	<u>11,693,970</u>
Total effect on assets	<u>\$ 7,254,930</u>	<u>\$ 10,949,281</u>	<u>\$ 18,204,211</u>
Lease liabilities - current	\$ -	\$ 1,699,817	\$ 1,699,817
Lease liabilities - non-current	<u>-</u>	<u>9,235,735</u>	<u>9,235,735</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 10,935,552</u>	<u>\$ 10,935,552</u>
Retained earnings	\$ 1,832,432	\$ 13,125	\$ 1,845,557
Non-controlling interests	<u>75,629</u>	<u>604</u>	<u>76,233</u>
Total effect on equity	<u>\$ 1,908,061</u>	<u>\$ 13,729</u>	<u>\$ 1,921,790</u>

The Group as lessor

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

The Group subleased its leasehold shopping mall to a third party in 2019. Such sublease was classified as an operating lease under IAS 17.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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 other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, 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 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Business Combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity 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 Group'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 Group 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.

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

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 29.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

2) Impairment of financial assets and contract assets

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 (ECLs) for trade receivables, lease receivable 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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.

3) Derecognition of financial assets

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

On derecognition of a financial asset 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.

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

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.

Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

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.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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 rereasurement) 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. Rereasurement, 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. Rereasurement 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

	<u>December 31</u>	
	2019	2018
Cash on hand	\$ 57,211	\$ 111,466
Checking accounts and demand deposits	1,401,200	1,815,736
Cash equivalents	<u>4,015</u>	<u>68,460</u>
	<u>\$ 1,462,426</u>	<u>\$ 1,995,662</u>

The time deposits with original maturities of more than 3 months were \$32,205 thousand and \$74,801 thousand as of December 31, 2019 and 2018, respectively, and reclassified to financial assets at amortized cost (see Note 8).

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

	<u>December 31</u>	
	2019	2018
Time deposits	<u>\$ 437,502</u>	<u>\$ 215,980</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	2019	2018
Financial assets mandatorily classified as at FVTPL - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 30,138	\$ 32,757
Non-derivative financial assets		
Equity securities listed in open market	5,799	16,420
Mutual funds	147,374	73,085
Corporate bonds	13,186	8,240
Financial products	<u>424,235</u>	<u>172,629</u>
	<u>\$ 620,732</u>	<u>\$ 303,131</u>
Financial liabilities held for trading - current		
Derivative financial liabilities		
Foreign exchange forward contracts	<u>\$ 321</u>	<u>\$ 16,017</u>
	<u>\$ 321</u>	<u>\$ 16,017</u>

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

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2019</u>			
Forward exchange contracts - sell	US\$/NT\$	2020.01.03-2020.06.04	US\$292,000/NT\$8,799,420
Forward exchange contracts - buy	US\$/NT\$	2020.01.02-2020.07.01	US\$326,000/NT\$9,824,010
Forward exchange contracts - sell	EUR/US\$	2020.01.21-2020.04.30	EUR1,170/US\$1,305
Forward exchange contracts - buy	EUR/US\$	2020.01.14-2020.06.19	US\$17,933/EUR15,730
Forward exchange contracts - sell	US\$/EUR	2020.01.17-2020.09.22	US\$780/EUR683
Forward exchange contracts - sell	AUD/EUR	2020.01.13	AUD45/EUR28

December 31, 2018

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

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

	<u>December 31</u>	
	2019	2018
Current		
Time deposits with original maturity of more than 3 months (Note 6)	<u>\$ 22,937</u>	<u>\$ 30,810</u>
Non-current		
Time deposits with original maturity of more than 3 months (Note 6)	<u>\$ 9,268</u>	<u>\$ 43,991</u>

As of December 31, 2019 and 2018, financial assets at amortized cost of \$23,944 thousand and \$20,660 thousand, respectively, were pledged as collateral for borrowings and for retail channels (see Note 30).

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 51,707	\$ 64,925
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>51,707</u>	<u>64,925</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	4,032,228	4,157,413
Less: Allowance for impairment loss	<u>(5,853)</u>	<u>(43,704)</u>
	4,026,375	4,113,709
Financial assets at FVTOCI	<u>139,191</u>	<u>371,711</u>
	<u>4,165,566</u>	<u>4,485,420</u>
	<u>\$ 4,217,273</u>	<u>\$ 4,550,345</u>

The average credit period of sales of goods was 90 days. No interest was charged on notes receivable or 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 measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and 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 provision for loss allowance based on past due status of notes receivable and trade receivables.

The Group writes off notes receivable or trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For notes receivable or 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 notes receivable and 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, 2019

	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	3,964,527	\$ 123,925	\$ 44,628	\$ 83,553	\$ 6,493	4,223,126
Loss allowance (Lifetime ECLs)	-	-	-	-	(5,853)	(5,853)
	\$					\$
Amortized cost	<u>3,964,527</u>	<u>\$ 123,925</u>	<u>\$ 44,628</u>	<u>\$ 83,553</u>	<u>\$ 640</u>	<u>4,217,273</u>

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	4,068,507	\$ 385,772	\$ 35,891	\$ 57,680	\$ 46,199	4,594,049
Loss allowance (Lifetime ECLs)	-	-	-	-	(43,704)	(43,704)
	\$					\$
Amortized cost	<u>4,068,507</u>	<u>\$ 385,772</u>	<u>\$ 35,891</u>	<u>\$ 57,680</u>	<u>\$ 2,495</u>	<u>4,550,345</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 43,704	51,191
Add: Net remeasurement of loss allowance	-	5,238
Less: Written off	(36,497)	(13,076)
Less: Net remeasurement of loss allowance	(1,257)	-
Foreign exchange gains and losses	<u>(97)</u>	<u>351</u>
Balance at December 31	<u>\$ 5,853</u>	<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>2019</u>									
Standard Chartered	<u>\$ 1,260</u> (Note 1)	<u>\$2,541,087</u> (Note 2)	<u>\$2,542,347</u> (Note 2)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	US\$ 40,200,000	-
							\$ = =		
KGI Bank	<u>\$ 1,259</u> (Note 1)	<u>\$ -</u>	<u>\$ 1,259</u> (Note 3)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-	-
							\$ = =		
Taishin International Bank	<u>\$ -</u>	<u>\$ 155,170</u> (Note 2)	<u>\$ 155,170</u> (Note 3)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	US\$ 10,000,000	-

(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	<u>\$ -</u>	<u>\$2,116,262</u> (Note 2)	<u>\$2,114,977</u> (Note 3)	<u>\$ 1,285</u> (Note 4)	<u>\$ -</u>	-	<u>\$ -</u>	US\$ 40,200,000	-
KGI Bank	<u>\$ 3,988</u> (Note 1)	<u>\$ 11,784</u> (Note 2)	<u>\$ 14,488</u> (Note 3)	<u>\$ 1,284</u> (Note 4)	<u>\$ -</u>	-	<u>\$ -</u>	US\$ 300,000	-

Test-Rite concluded accounts receivable factoring agreements with Standard Chartered Bank, KGI Bank and Taishin International Bank. The agreements declared that the banks had no right of further recourse against Test-Rite. According to the agreement, Test-Rite should only be responsible for loss that resulted from business disputes. Among them, KGI Bank terminated the agreement in 2019.

Note 1: US\$41,809; US\$41,785; shown respectively from top to bottom of column.

Note 2: US\$84,323,447; US\$5,149,171; shown respectively from top to bottom of column.

Note 3: US\$84,365,256; US\$41,785; US\$5,149,171; shown respectively from top to bottom of column.

Note 4: US\$129,754.

Note 5: US\$68,859,612; US\$383,445; shown respectively from top to bottom of column.

Note 6: US\$68,817,803; US\$471,414; shown respectively from top to bottom of column.

Note 7: 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.

10. INVENTORIES

	December 31	
	2019	2018
Merchandise - retail	\$ 3,685,068	\$ 3,856,010
Merchandise - trade	2,359,539	1,804,123
Construction land	316,836	119,469
Buildings and land held for sale	<u>131,827</u>	<u>-</u>
	<u>\$ 6,493,270</u>	<u>\$ 5,779,602</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was \$26,654,465 thousand and \$27,127,393 thousand, respectively.

The operating costs include reversals of inventory write-downs in the amount \$39,483 thousand and a loss on physical inventory count in the amount of \$44,654 thousand for the year ended December 31, 2019. The operating costs include reversals of inventory write-downs in the amount of \$13,547 thousand and a loss on physical inventory count in the amount of \$41,656 thousand for the year ended December 31, 2018. Previous write-downs have been reversed according to the result of inventory sale.

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., Test Cin M&E Engineering, Hand-on Lighting Co., Ltd. and Test Cin International Co., Ltd.

Construction land and buildings and land held for sale include the balance of inventories of Chung Cin Enterprise. Construction land pledged as collateral for bank borrowings is set out in Notes 17 and 30 as of December 31, 2019.

11. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	2018
<u>Non-current</u>		
Investments in equity instruments at FVTOCI	\$ 45,427	\$ 49,213
Investments in debt instruments at FVTOCI	<u>8,642</u>	<u>-</u>
	<u>\$ 54,069</u>	<u>\$ 49,213</u>
<u>Non-current</u>		
Domestic investments - unlisted shares		
Grand Cathay Venture Capital II Co., Ltd.	\$ 42,701	\$ 46,518
Taiwan Finance Corporation	2,726	2,695
Foreign investments - unlisted shares		
Ningbo Anlian Tejie Supply China Management Co., Ltd.	<u>8,642</u>	<u>-</u>
	<u>\$ 54,069</u>	<u>\$ 49,213</u>

These investments in equity instruments 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.

12.SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Subsidiaries	Main Businesses	% of Ownership		Remark
			December 31		
			2019	2018	
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	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. and Upmaster Co., Ltd.	Test-Rite International (U.S.) 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	91.67	95.60	Note 3
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	
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	60.00	
Chung Cin Enterprise Co., Ltd.	Hand-on Lighting Co., Ltd.	Sale of electrical appliances	51.00	51.00	
Chung Cin Enterprise Co., Ltd.	Test Cin International Co., Ltd.	Sale of construction material	51.00	51.00	
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	

Note 1: Test Rite Star Co., Ltd. had completed the liquidation in September 2019.

Note 2: Test-Rite Vietnam Co., Ltd. resolved to dissolve in September 2015 and the liquidation date is September 30, 2015. However, the liquidation procedure has not yet finished as of December 31, 2019.

Note 3: On July 31, 2019, the Company's ownership percentage of Chung Cin Enterprise Co., Ltd. was reduced from 95.60% to 91.67% because the Company did not subscribe for all of the additional new shares issued by Chung Cin Enterprise Co., Ltd.

Note 4: All financial statements of subsidiaries included in the Group's consolidated financial statements have been audited for the years ended December 31, 2019 and 2018.

13.PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2019	2018
Land	\$ 545,512	\$ 545,512
Buildings and improvements	3,307,424	3,496,331
Machinery and equipment	23,157	5,250
Transportation equipment	9,193	12,954
Furniture, fixtures and office equipment	70,004	117,459
Leasehold improvements	1,649,249	2,511,210
Molds and tools	17,863	19,296
Other equipment	120,147	145,486
Prepayments for property, plant and equipment	747,783	33,014
	<u>\$ 6,490,332</u>	<u>\$ 6,886,512</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, 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</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>
<u>Cost</u>										
Balance at January 1, 2019	\$545,512	\$ 4,272,946	\$ 28,114	\$ 58,786	\$814,298	\$ 8,100,021	\$ 47,871	\$804,914	\$ 33,014	\$ 14,705,476
Additions	-	233	7,671	2,354	7,649	5,924	5,208	1,956	1,049,912	1,080,907
Disposals	-	(38,923)	(27,480)	(11,941)	(151,660)	(885,188)	(915)	(90,883)	-	(1,206,990)
Reclassified	-	(2,331)	63,474	201	14,399	(944,513)	1,410	21,874	(316,165)	(1,161,651)
Effect of foreign currency exchange differences	-	(62,641)	(1,958)	(1,489)	(2,144)	(6,813)	(527)	(2,627)	(18,978)	(97,177)
Balance at December 31, 2019	<u>\$545,512</u>	<u>\$ 4,169,284</u>	<u>\$ 69,821</u>	<u>\$ 47,911</u>	<u>\$682,542</u>	<u>\$ 6,269,431</u>	<u>\$ 53,047</u>	<u>\$735,234</u>	<u>\$747,783</u>	<u>\$ 13,320,565</u>
<u>Accumulated depreciation</u>										
Balance at January 1, 2019	\$ -	\$776,615	\$ 22,864	\$ 45,832	\$696,840	\$ 5,588,811	\$ 28,575	\$659,427	\$ -	\$ 7,818,964
Depreciation expense	-	125,883	979	5,747	42,623	303,969	8,256	57,418	-	544,875
Disposals	-	(38,923)	(15,443)	(10,768)	(138,268)	(855,746)	(899)	(110,129)	-	(1,170,176)
Reclassified	-	-	22,294	(1,289)	32	(589,266)	(394)	(15,498)	-	(584,121)
Effect of foreign currency exchange differences	-	(1,715)	(61)	(1,245)	(868)	6,864	(354)	(679)	-	1,942
Balance at December 31, 2019	<u>\$ -</u>	<u>\$861,860</u>	<u>\$ 30,633</u>	<u>\$ 38,277</u>	<u>\$600,359</u>	<u>\$ 4,454,632</u>	<u>\$ 35,184</u>	<u>\$590,539</u>	<u>\$ -</u>	<u>\$ 6,611,484</u>
Carrying amounts at December 31, 2019	<u>\$545,512</u>	<u>\$ 3,307,424</u>	<u>\$ 23,157</u>	<u>\$ 9,193</u>	<u>\$ 70,004</u>	<u>\$ 1,649,249</u>	<u>\$ 17,863</u>	<u>\$120,147</u>	<u>\$747,783</u>	<u>\$ 6,490,332</u>
<u>Accumulated impairment</u>										
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment losses recognized	-	-	17,306	476	13,147	178,711	-	26,499	-	236,139
Effect of foreign currency exchange differences	-	-	(1,275)	(35)	(968)	(13,161)	-	(1,951)	-	(17,390)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,031</u>	<u>\$ 441</u>	<u>\$ 12,179</u>	<u>\$165,550</u>	<u>\$ -</u>	<u>\$ 24,548</u>	<u>\$ -</u>	<u>\$218,749</u>
Carrying amounts at December 31, 2019	<u>\$545,512</u>	<u>\$ 3,307,424</u>	<u>\$ 23,157</u>	<u>\$ 9,193</u>	<u>\$ 70,004</u>	<u>\$ 1,649,249</u>	<u>\$ 17,863</u>	<u>\$120,147</u>	<u>\$747,783</u>	<u>\$ 6,490,332</u>

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Office buildings	\$ 1,010,833
Stores	8,584,970
Others	<u>10,210</u>
	<u>\$ 9,606,013</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 382,059</u>
Depreciation charge for right-of-use assets	
Office buildings	\$ 286,320
Stores	1,720,845
Others	<u>6,388</u>
	<u>\$ 2,013,523</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 1,721,577</u>
Non-current	<u>\$ 7,348,041</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Office buildings	1.30%-5.50%
Stores	1.30%-5.50%
Others	1.30%-4.05%

c. Other lease information

In order to cope with retail demand, the Group entered into a large number of lease arrangements for the purpose of renting commercial space for the establishment of retail stores. Lease terms are negotiated by the management of each business segment and include a wide range of payment terms. Variable payment terms are used for a variety of reasons, including margin control and operational flexibility.

Variable payment terms lead to the incurrence of higher rental costs for stores with higher sales. However, the use of variable payment terms helps to facilitate the management of margins across the Group.

Variable rental expenses are expected to continue to represent a similar proportion of retail store sales in future years.

15. GOODWILL

	<u>For the Year Ended December 31</u>	
	2019	2018
Balance at January 1	\$ 2,361,198	\$ 2,336,399
Additional amounts recognized from business combinations occurring during the year (Note 25)	-	50,400
Impairment losses recognized	-	(24,156)
Effect of foreign currency exchange differences	<u>(5,043)</u>	<u>(1,445)</u>
Balance at December 31	<u>\$ 2,356,155</u>	<u>\$ 2,361,198</u>

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

	<u>December 31</u>	
	2019	2018
Retail	\$ 2,092,938	\$ 2,092,938
Trading	193,424	198,467
Others	<u>69,793</u>	<u>69,793</u>
	<u>\$ 2,356,155</u>	<u>\$ 2,361,198</u>

For the years ended December 31, 2019 and 2018, 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.

16. OTHER INTANGIBLE ASSETS

	<u>December 31</u>		
	2019	2018	
Computer software	\$ 166,885	\$ 163,068	
Others	<u>54,096</u>	<u>66,917</u>	
	<u>\$ 220,981</u>	<u>\$ 229,985</u>	
	Computer Software	Others	Total
<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>
	Computer Software	Others	Total
<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>

(Continued)

	Computer Software	Others	Total
Carrying amounts at December 31, 2018	<u>\$ 163,068</u>	<u>\$ 66,917</u>	<u>\$ 229,985</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 484,855	\$ 98,931	\$ 583,786
Additions	29,972	-	29,972
Disposals	(91)	-	(91)
Reclassified	(9,094)	(2,914)	(12,008)
Foreign exchange translation differences	<u>(521)</u>	<u>(3,897)</u>	<u>(4,418)</u>
Balance at December 31, 2019	<u>\$ 505,121</u>	<u>\$ 92,120</u>	<u>\$ 597,241</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 321,787	\$ 32,014	\$ 353,801
Amortization expense	109,893	12,880	122,773
Disposals	(91)	-	(91)
Reclassified	(93,029)	(5,387)	(98,416)
Foreign exchange translation differences	<u>(324)</u>	<u>(1,483)</u>	<u>(1,807)</u>
Balance at December 31, 2019	<u>\$ 338,236</u>	<u>\$ 38,024</u>	<u>\$ 376,260</u>
Carrying amounts at December 31, 2019	<u>\$ 166,885</u>	<u>\$ 54,096</u>	<u>\$ 220,981</u> (Concluded)

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

Computer software	3-5 years
Customer relationship	7-15 years
Outstanding service contracts	1.5 years

17. BORROWINGS

	<u>December 31</u>	
	2019	2018
Short-term borrowings	<u>\$ 1,307,151</u>	<u>\$ 2,146,783</u>
Short-term bills payable	<u>\$ 49,978</u>	<u>\$ 99,966</u>
Current portion of long-term borrowings	<u>\$ 85,180</u>	<u>\$ 1,073,571</u>
Long-term borrowings	<u>\$ 9,424,773</u>	<u>\$ 6,094,520</u>

a. Short-term borrowings as of December 31, 2019 and 2018 were as follows:

	<u>December 31</u>	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 1,307,151</u>	<u>\$ 2,146,783</u>

The range of weighted average effective interest rate on bank loans was 0.94%-3.25% and 0.92%-4.75% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	2019	2018
Commercial paper	\$ 50,000	\$ 100,000
Less: Unamortized discount on bills payable	<u>(22)</u>	<u>(34)</u>
	<u>\$ 49,978</u>	<u>\$ 99,966</u>

c. Long-term borrowings

	December 31		
	2019		2018
	Interest Rate	Amount	Amount
First Commercial Bank's syndicated loan			
Unsecured loan from June 17, 2019 to June 17, 2024. Authorized credit line of \$6,800 million. Principal due on June 17, 2024.	1.7895%- 3.0867%	\$ 4,573,375	\$ -
Unsecured loan from June 17, 2015 to June 17, 2020. Authorized credit line of \$4,480 million. On March 26, 2019, the Company paid the principal in full in advance.	-	-	2,113,718
Unsecured loan from June 24, 2015 to June 24, 2020. Authorized credit line of \$1,500 million. On March 18, 2019, the Company paid the principal in full in advance.	-	-	675,000
			(Continued)
	December 31		
	2019		2018
	Interest Rate	Amount	Amount
First Commercial Bank			
Secured loan from May 15, 2019 to May 15, 2023. Authorized credit line of \$104 million. Principal due on May 15, 2023. The construction land of Chung Cin Enterprise Co., Ltd. were pledged as collateral (see Notes 10 and 30).	1.65%	\$ 104,000	\$ -
Unsecured loan from September 27, 2019 to September 27, 2022. Authorized credit line of \$500 million. Principal due in installments according to the bank's contracts.	1.50%	320,000	-
Unsecured loan from May 12, 2017 to May 12, 2020. Authorized credit line of \$500 million. On June 27, 2019, the Company paid the principal in full in advance.	-	-	350,000
Chang Hwa Bank			
Unsecured loan from August 8, 2019 to August 8, 2021. Authorized credit line of \$500 million. Principal due on August 8, 2021.	1.55%	500,000	300,000
Taishin International Bank			
Unsecured loan from June 26, 2019 to June 26, 2021. Authorized credit line of \$300 million. Principal due on June 26, 2021.	1.40%	300,000	300,000
KGI Bank			
Unsecured loan from September 25, 2019 to September 25, 2021. Authorized credit line of US\$8,000 thousand. Principal due on September 25, 2019.	2.9905%	241,080	245,864
Unsecured loan from December 2, 2019 to December 2, 2021. Authorized credit line of US\$80,000 thousand. Principal due on December 2, 2021.	1.14556%	80,000	-
Unsecured loan from September 25, 2019 to September 25, 2021. Authorized credit line of \$300 million. Principal due on September 25, 2021.	1.04556%	300,000	-

Unsecured loan from December 10, 2018 to December 10, 2020. Authorized credit line of \$300 million. On April 15, 2019, the Company paid the principal in full in advance.

276,597

(Continued)

	December 31		
	2019	2018	
	Interest Rate	Amount	Amount
Taiwan Business Bank			
Unsecured loan from June 24, 2019 to June 24, 2022. Authorized credit line of \$600 million. Principal due on June 24, 2022.	1.468%- 1.607%	\$ 500,000	\$ 240,000
Export-Import Bank of the Republic of China			
Unsecured loan from May 16, 2019 to May 16, 2025. Authorized credit line of \$680 million. Principal due in installments according to the bank's contracts.	1.1035%	480,000	-
Unsecured loan from December 6, 2019 to December 6, 2025. Authorized credit line of \$200 million. Principal due in installments according to the bank's contracts.	1.2091%	72,000	-
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 13 and 30).	3.70%	555,448	614,660
Unsecured loan from March 14, 2018 to March 13, 2021. Authorized credit line of \$400 million. Principal due on March 13, 2021.	1.5519%	400,000	200,000
Cathay United Bank			
Unsecured loan from October 24, 2018 to October 24, 2020. Authorized credit line of \$200 million. On January 18, 2019, the Company paid the principal in full in advance.	-	-	200,000
Hua Nan Bank			
Unsecured loan from November 27, 2019 to November 27, 2022. Authorized credit line of \$300 million. Principal due on November 27, 2022.	1.51811%	150,000	-
Unsecured loan from December 27, 2018 to December 25, 2020. Authorized credit line of \$300 million. On November 25, 2019, the Company paid the principal in full in advance.	-	-	300,000

(Continued)

	December 31		
	2019		2018
	Interest Rate	Amount	Amount
SinoPac Bank			
Unsecured loan from November 21, 2019 to November 30, 2021. Authorized credit line of US\$30 million. Principal due on November 30, 2021.	2.7484%- 2.7696%	\$ 602,700	\$ -
Unsecured loan from November 21, 2019 to November 30, 2021. Authorized credit line of US\$10 thousand. Principal due on November 30, 2021.	3.21013%	301,350	-
Unsecured loan from December 19, 2018 to December 19, 2020. Authorized credit line of US\$30 million. On January 18, 2019, the Company paid the principal in full in advance.	-	-	860,524
Unsecured loan from December 19, 2018 to December 19, 2020. Authorized credit line of US\$10 thousand. On October 9, 2019, the Company paid the principal in full in advance.	-	-	307,330
Mega International Commercial Bank			
Unsecured loan from July 19, 2019 to July 19, 2021. Authorized credit line of \$70,000 thousand. Principal due on July 19, 2021.	1.20%	30,000	-
E.SUN Bank			
Unsecured loan from December 20, 2017 to December 20, 2019. Authorized credit line of US\$6 thousand. On January 4, 2019, the Company paid the principal in full in advance.	-	-	184,398
Less current portion		<u>(85,180)</u>	<u>(1,073,571)</u>
		<u>\$ 9,424,773</u>	<u>\$ 6,094,520</u> (Concluded)

Test-Rite promised to maintain the following financial covenants according to the loan agreements as of December 31, 2019:

1) First Commercial Bank Syndicated Loan

- a) For the Financial Liabilities Ratio, Test-Rite shall maintain a ratio of Financial Liabilities to Tangible Net Worth of no more than 1.5 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 Company's stand-alone financial statements for each year ended December 31.

2) SinoPac Bank Loan

- a) For the Financial Liabilities Ratio, Test-Rite shall maintain a ratio of Financial Liabilities to Tangible Net Worth of no more than 1.5 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 Company's stand-alone financial statements for each year ended December 31.
- 3) 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 Liabilities (short-term borrowings + current portion of long-term borrowings + long-term borrowings) to Tangible Net Worth 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 stand-alone financial statements of Test-Rite Retail for each year ended December 31.
- 4) 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 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 stand-alone financial statements of Test-Rite Retail for each year ended December 31.

During the year ended December 31 2019, the Group breached certain terms of its long-term loan arrangement of First Commercial Bank's syndicated loan, which are primarily related to the interest coverage ratio of the Group. At December 31, 2019, the carrying amount of the bank loan was \$4,573,375 thousand. According to the syndicated loan agreement, the Group is required to improve certain financial ratios in the next test if the Group is not in compliance with the financial covenants at first test, however, the annual interest rate should be increased by an additional 0.1 percentage point. Therefore, the lender has no right to demand immediate repayment at the end of reporting period.

During the year ended December 31 2019, the Group breached certain terms of its long-term loan arrangement of SinoPac Bank loan, which are primarily related to the interest coverage ratio of the Group. At December 31, 2019, the carrying amount of the bank loan was \$602,700 thousand. According to the loan agreement, the Group is required to maintain certain financial ratios. If the Group is not in compliance with the financial covenants, the Group should pay additional interest on the annual interest rate. Therefore, the lender has no right to demand immediate repayment at the end of reporting period.

18. PROVISIONS

	December 31	
	2019	2018
Employee benefits (included in other payables)	<u>\$ 7,726</u>	<u>\$ 7,136</u>

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

19. OTHER PAYABLES

	December 31	
	2019	2018
Accrued expenses	\$ 1,183,207	\$ 1,199,967
Payable for purchase of equipment	73,228	94,598
Bonuses payable to employees	3,960	10,129
Bonuses payable to directors and supervisors	3,996	15,924
Allowance of sales returns and discounts	107,222	44,109
Payable for employee benefits	7,726	7,136
Others	<u>251,212</u>	<u>249,189</u>
	<u>\$ 1,630,551</u>	<u>\$ 1,621,052</u>

20. 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 Republic of China ("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	
	2019	2018
Present value of defined benefit obligation	\$ 496,785	\$ 452,651
Fair value of plan assets	<u>(365,321)</u>	<u>(343,821)</u>
	131,464	108,830
Defined benefit asset (included in other non-current assets)	<u>22,961</u>	<u>21,755</u>
Net defined benefit liability (included in net defined benefit liabilities - non-current)	<u>\$ 154,425</u>	<u>\$ 130,585</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, 2018	<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>
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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Service cost			
Current service cost	\$ 2,494	\$ -	\$ 2,494
Net interest expense	<u>5,761</u>	<u>(3,984)</u>	<u>1,777</u>
Recognized in profit or loss	<u>8,255</u>	<u>(3,984)</u>	<u>4,271</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,743)	(9,743)
Actuarial loss - changes in financial assumptions	29,035	-	29,305
Actuarial loss - experience adjustments	4,083	366	4,449
Actuarial loss - changes in demographic assumptions	<u>9,561</u>	<u>-</u>	<u>9,561</u>
Recognized in other comprehensive income	<u>42,949</u>	<u>(9,377)</u>	<u>33,572</u>
Contributions from the employer	-	(14,039)	(14,039)
Benefits paid	(5,170)	5,170	-
Others	<u>(1,900)</u>	<u>730</u>	<u>(1,170)</u>
Balance at December 31, 2019	<u>\$ 496,785</u>	<u>\$ (365,321)</u>	<u>\$ 131,464</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	
	2019	2018
Operating expenses	<u>\$ 4,271</u>	<u>\$ 4,624</u>

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

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

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

	<u>December 31</u>	
	2019	2018
Discount rate	0.75%-1.87%	1.00%-1.87%
Expected rate of salary increase	0.00%-3.00%	0.00%-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:

	<u>December 31</u>	
	2019	2018
Discount rate		
0.25%-0.5% increase	<u>\$ (14,257)</u>	<u>\$ (13,441)</u>
0.25%-0.5% decrease	<u>\$ 14,868</u>	<u>\$ 14,024</u>
Expected rate of salary increase		
0.25%-1% increase	<u>\$ 16,383</u>	<u>\$ 15,703</u>
0.25%-1% decrease	<u>\$ (15,520)</u>	<u>\$ (14,841)</u>

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

	<u>December 31</u>	
	2019	2018
Expected contributions to the plan for the next year	<u>\$ 10,152</u>	<u>\$ 11,190</u>
Average duration of the defined benefit obligation	9.80-19.90 years	10.80-17.80 years

21.EQUITY

a. Share capital

	<u>December 31</u>	
	2019	2018
Number of shares authorized (in thousands)	<u>750,000</u>	<u>750,000</u>
Shares authorized	<u>\$ 7500,000</u>	<u>\$ 7,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>509,888</u>	<u>509,888</u>
Shares issued	<u>\$ 5,098,875</u>	<u>\$ 5,098,875</u>

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

As of December 31, 2019, Test-Rite's outstanding share capital amounted to \$5,098,875 thousand.

b. Capital surplus

	<u>December 31</u>	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 352,227	\$ 647,962
<u>May only be used to offset a deficit (2)</u>		
Changes in percentage of ownership interests in subsidiaries	<u>857</u>	<u>-</u>
	<u>\$ 353,084</u>	<u>\$ 647,962</u>

- 1) Such capital surplus 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 to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

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. Above dividends, legal reserve and capital surplus which is distributed by cash, the Company authorizes the distribution after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. 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 26-2.

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 than 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 2018 and 2017 approved in the shareholders' meetings on June 20, 2019 and June 19, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	\$ 40,649	\$ 78,730	\$ -	\$ -
Special reserve	60,976	14,058	-	-
Cash dividends	356,921	611,865	0.70	1.20

The Company's shareholders also resolved to issue cash dividends from capital surplus of \$295,735 thousand in the shareholders' meeting on June 20, 2018.

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 25, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 7,984	\$ -
Special reserve	76,249	-

The Company's board of directors had also proposed to issue cash dividends from capital surplus of \$351,863 thousand on March 25, 2020.

The appropriation of earnings for 2019 is subject to the resolution of the shareholders' meeting to be held on June 17, 2020.

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 gain (loss) on financial assets at FVTOCI

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.

e. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2019	-
Increased during the year	<u>14,306</u>
Number of shares at December 31, 2019	<u><u>14,306</u></u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

22.REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	\$ 35,406,950	\$ 37,457,384
Construction contract revenue	1,022,954	1,052,665
Rental income	544,499	611,214
Revenue from sales of real estate	7,848	110,867
Other operating revenue	<u>1,078,562</u>	<u>665,820</u>
	<u>\$ 38,060,813</u>	<u>\$ 39,897,950</u>

a. Contract balances

	December 31	
	2019	2018
Contract assets		
Properties construction	<u>\$ 216,962</u>	<u>\$ 204,203</u>
Contract liabilities		
Properties construction	\$ 20,901	\$ 656
Customer loyalty programs	<u>51,165</u>	<u>65,160</u>
	<u>\$ 72,066</u>	<u>\$ 65,816</u>

b. Disaggregation of revenue

2019

	Reportable Segments			
	Retail	Trading	Construction	Total
Type of goods or services				
Sale of goods	\$ 16,839,845	\$ 18,429,915	\$ 147,422	\$ 35,417,182
Construction contracts	456,100	-	558,396	1,014,496
Rental income	351,366	2,815	190,318	544,499
Revenue from sales of real estate	-	-	7,848	7,848
Other operating revenue	<u>304,885</u>	<u>717,421</u>	<u>54,482</u>	<u>1,076,788</u>
	<u>\$ 17,952,196</u>	<u>\$ 19,150,151</u>	<u>\$ 958,466</u>	<u>\$ 38,060,813</u>

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>

23. INCOME TAX

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	\$ 101,253	\$ 171,065
Income tax on unappropriated earnings	-	7,759
Unrecognized loss carryforwards	-	(3,269)
Adjustments for deferred tax assets	(123,994)	(122,080)
Adjustments for prior periods	<u>2,590</u>	<u>(9,915)</u>
	<u>(20,151)</u>	<u>43,560</u>
Deferred tax		
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>(116,424)</u>
Income tax benefit recognized in profit or loss	<u>\$ (20,151)</u>	<u>\$ (72,864)</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 122,847	\$ 171,779
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(21,594)	(714)
Adjustments to deferred tax assets	(123,994)	(122,080)
Income tax on unappropriated earnings	-	7,759
Unrecognized loss carryforwards	-	(3,269)

	<u>For the Year Ended December 31</u>	
	2019	2018
Adjustments for prior periods	<u>2,590</u>	<u>(9,915)</u>
	<u>(20,151)</u>	<u>43,560</u>
Effect of tax rate changes	<u>-</u>	<u>(116,424)</u>
Income tax benefit recognized in profit or loss	<u>\$ (20,151)</u>	<u>\$ (72,864)</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

c. Deferred tax assets and liabilities

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Deferred tax assets</u>		
Temporary difference		
Share of losses of subsidiaries accounted for using the equity method	\$ 949,053	\$ 702,608
Unrealized warranty reserve	4,989	7,905
Unrealized loss on inventories	27,792	31,620
Allowance for doubtful accounts	12,777	11,865
Allowance for sales returns and discounts	45,554	11,646
Allowance for compensation losses	15,530	11,516
Financial assets at FVTOCI	6,380	5,423
Others	<u>483,240</u>	<u>653,820</u>
	<u>\$ 1,545,315</u>	<u>\$ 1,436,403</u>
<u>Deferred tax liabilities</u>		
Temporary difference		
Defined benefit obligations	\$ 2,527	\$ 2,465
Intangible assets	<u>15,691</u>	<u>18,442</u>
	<u>\$ 18,218</u>	<u>\$ 20,907</u>

d. Income tax assessments

The income tax returns of Test-Rite for years through 2017 have been examined and approved by the tax authority.

24. EARNINGS PER SHARE

For the years ended December 31, 2019 and 2018, the amounts of earnings per share were calculated as follows:

	<u>2019</u>		
	<u>Amounts (Numerator)</u>		<u>EPS (NT\$)</u>
	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	\$ 100,355	503,123	<u>\$ 0.20</u>
The effects of dilutive potential common shares			
Compensation to employees (Note)	<u>-</u>	<u>-</u>	

Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 100,355</u>	<u>503,123</u>	<u>\$ 0.20</u>
	2018		
	Amounts (Numerator) Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	EPS (NT\$) 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>

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.

Note: Since Test-Rite did not earn profit before tax in 2019, the compensation to employees was not estimated in 2019.

25. 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>

26. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

a. Personnel, depreciation, and amortization expenses for the years ended December 31, 2019 and 2018 were summarized as follows:

Function Expense Item	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 44,807	\$ 3,421,744	\$ 3,466,551	\$ 46,745	\$ 3,511,350	\$ 3,558,095

Labor insurance and health insurance	4,514	261,547	266,061	4,521	249,396	253,917
Pension cost	2,654	160,925	163,579	2,551	187,881	190,432
Others	5,005	277,885	282,890	4,393	311,385	315,778
Depreciation expenses	335,467	2,222,931	2,558,398	60,769	550,570	611,339
Amortization expenses	68	122,705	122,773	-	113,001	113,001

As of December 31, 2019 and 2018, the Group had 4,916 and 5,539 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. Since the Company did not profit before the tax in 2019, the employees' compensation and remuneration of directors and supervisors was not estimated in 2019. The employees' compensation and remuneration of directors and supervisors for the year ended December 31, 2018, which have been approved by the Company's board of directors on March 26, 2019, were as follows:

Accrual rate

	For the Year Ended December 31, 2019
Employees' compensation	1.0%
Remuneration of directors and supervisors	1.5%

Amount

	For the Year Ended December 31 Cash
Employees' compensation	\$ 2,345
Remuneration of directors and supervisors	3,517

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 years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. 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.

28. 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
Up master Investment Co., Ltd.	Entity controlled by key management personnel
Tsai Ye Enterprise Company Limited	Entity controlled by key management personnel
X-Cel Relationship Management Co., Ltd.	Entity controlled by key management personnel
Judy Lee	Chairman of Test-Rite
Tony Ho	Related party in substance
Li Heng Lee	Related party in substance

a. Operating transactions

	Sales Revenue	
	For the Year Ended December 31	
	2019	2018
Entity controlled by key management personnel	\$ <u>9,517</u>	\$ <u>-</u>

	Construction Contract Revenue	
	For the Year Ended December 31	
	2019	2018
Entity controlled by key management personnel	\$ <u>22,664</u>	\$ <u>30,151</u>

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	
	2019	2018
Related party in substance	\$ <u>7,848</u>	\$ <u>14,782</u>

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

	Refundable Deposits Paid	
	December 31	
	2019	2018
Tsai Wang Enterprise Company Limited	\$ <u>125,000</u>	\$ <u>125,000</u>

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

Lease arrangements

Line Item	Related Party Category/Name	December 31	
		2019	2018
Lease liabilities	Tsai Wang Enterprise Company Limited	\$ 999,469	\$ -
	Entity controlled by key management personnel	514,685	-
	Chairman of Test-Rite	<u>1,203</u>	<u>-</u>
		<u>\$ 1,515,357</u>	<u>\$ -</u>
Related Party Category/Name		2019	2018

Interest expense

Entity controlled by key management personnel	\$ 35,757	\$ -
Chairman of Test-Rite	<u>18</u>	<u>-</u>

\$ 35,775 \$ -

Lease expense

Tsai Wang Enterprise Company Limited	\$ -	\$ 331,991
Entity controlled by key management personnel	<u>-</u>	<u>59,786</u>
	<u>\$ -</u>	<u>\$ 391,797</u>

b. Endorsements or guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 31-2.

As of December 31, 2019, short-term borrowing of \$146,155 thousand was guaranteed by the chairman of Test-Rite (Judy Lee) and related party in substance (Tony Ho), short-term borrowing of \$235,355 thousand was guaranteed by the chairman of Test-Rite (Judy Lee), short-term borrowing of \$603,000 thousand was guaranteed by related party in substance (Tony Ho).

As of December 31, 2019, long-term borrowing of \$104,000 thousand was guaranteed by the chairman of Test-Rite (Judy Lee), and related party in substance (Tony Ho), long-term borrowing of \$5,476,075 thousand was guaranteed by the chairman of Test-Rite (Judy Lee), and long-term borrowing of \$2,280,000 thousand was guaranteed by related party in substance (Tony Ho).

As of December 31, 2019, short-term bill payable of \$49,978 thousand was guaranteed by related party in substance (Tony Ho).

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

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

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

c. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 151,709	\$ 188,674
Post-employment benefits	<u>4,038</u>	<u>12,354</u>
	<u>\$ 155,747</u>	<u>\$ 201,028</u>

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

29.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, 2019 and 2018, the carrying amounts approximate their fair value.

b. Fair value measurements recognized in the consolidated balance sheets

December 31, 2019

Level 1	Level 2	Level 3	Total
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Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 30,138	\$ -	\$ 30,138
Non-derivative financial assets	\$ 590,594	\$ -	\$ -	\$ 590,594
Financial liabilities at FVTPL				
Derivatives financial assets	\$ -	\$ 321	\$ -	\$ 321
Financial assets at FVTOCI				
Investments in equity instruments	\$ -	\$ -	\$ 54,069	\$ 54,069

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
Financial assets at FVTOCI				
Investments in equity instruments	\$ -	\$ -	\$ 49,213	\$ 49,213

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

Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Group'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 Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group 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 Group'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 Group did not enter into or trade financial instruments for speculative purposes.

a. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Group 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 Group's exposure to market risks or the manner in which these risks were managed and measured.

1) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (see Note 32).

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	For the Year Ended
December 31	December 31

	2019	2018	2019	2018
Equity	\$ <u>1,499</u>	\$ <u>(21,359)</u>	\$ <u>114</u>	\$ <u>134</u>

2) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at floating interest rates. The risk is managed by the Group 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 Group's interest rate risk arises primarily from fixed revenue investment and floating interest rate borrowings.

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

	December 31	
	2019	2018
Cash flow interest rate risk		
Financial assets	\$ 473,722	\$ 359,241
Financial liabilities	10,817,104	9,314,874

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 Group's cash outflow for the years ended December 31, 2019 and 2018 would have been increased by \$103,434 thousand and \$89,556 thousand, respectively.

b. Credit risk

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

The Group 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 Group 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 allowances are made for irrecoverable amounts. In this regard, management believes the Group'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 Group 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 Group 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 Group's non-derivative financial liabilities with their agreed repayment period were as follows:

December 31, 2019

	1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 8,033,205	\$ -	\$ 209,262	\$ 8,242,467
Fixed interest rate liabilities	49,978	-	-	49,978
Variable interest rate liabilities	1,392,331	3,946,705	5,478,068	10,817,104
Lease liabilities	<u>1,721,577</u>	<u>3,089,087</u>	<u>4,258,954</u>	<u>9,069,618</u>
	<u>\$ 11,197,091</u>	<u>\$ 7,035,792</u>	<u>\$ 9,946,284</u>	<u>\$ 28,179,167</u>

December 31, 2018

	1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
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>

30. PLEDGED ASSETS

	<u>December 31</u>	
	2019	2018
Property, plant and equipment (see Notes 13 and 17)	\$ 1,626,134	\$ 1,725,840
Time deposits (see Notes 6 and 8)	461,446	236,640
Construction (see Notes 10 and 17)	<u>149,559</u>	<u>-</u>
	<u>\$ 2,237,139</u>	<u>\$ 1,962,480</u>

31. 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, 2019 and 2018 were US\$1,401 thousand and US\$1,949 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, 2019 and 2018 were both EUR19 thousand.

Endorsements/guarantees provided: As of December 31, 2019 and 2018, 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)

	<u>December 31</u>	
	2019	2018
Endorsements		
Test-Rite Trading Co., Ltd. and Test-Rite Retailing Co., Ltd.	US\$ 18,000	US\$ 31,000
Test-Rite Products Corp.	US\$ 7,000	US\$ 10,600
Test-Rite Retailing Co., Ltd.	US\$ 15,000	US\$ 10,000
Hola Shanghai Retail & Trading	US\$ -	US\$ 10,000
Test-Rite Business Development and six other subsidiaries	US\$ -	US\$ 16,230
Test-Rite Business Development	US\$ -	US\$ 5,000
Hola Shanghai Retail & Trading and Test-Rite Business Development	US\$ -	US\$ 5,000
Test-Rite Trading Co., Ltd.	US\$ -	US\$ 2,000
Test-Rite Pte Ltd.	US\$ 2,000	US\$ 1,000

Subsidiary of TR Development	EUR	5,500	EUR	7,000
Test-Rite Germany Import GmbH (Germany) and Subsidiary of TR Development	EUR	-	EUR	1,000
Test Rite Int'l. (Canada) Ltd.	CAD	-	CAD	30
Test-Rite C&B	NT\$	45,000	NT\$	45,000

As of December 31, 2019 and 2018, Test-Rite Retail and Test-Rite Brand Agency had import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks of approximately \$86,349 thousand and \$84,035 thousand, respectively.

32. 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, 2019 and 2018 was summarized as follows:

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

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 177,843	30.135	\$5,359,299	\$ 156,708	30.733	\$4,816,107
EUR	367	33.622	12,339	474	35.098	16,618
<u>Financial liabilities</u>						
Monetary items						
USD	172,869	30.135	5,209,407	226,208	30.733	6,952,050
EUR	27	33.622	908	93	35.098	3,261

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were \$124,507 thousand and \$151,708 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.

33. 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 Group revenue and results from continuing operations by reportable segment for the years ended December 31, 2019 and 2018 was as follows:

	2019				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$18,244,647	\$19,688,162	\$ 1,442,197	\$(1,314,193)	\$38,060,813
Operating costs	(11,713,586)	(15,536,680)	(1,214,303)	712,898	(27,751,671)
Gross profit	6,531,061	4,151,482	227,894	(601,295)	10,309,142
Operating expenses	(6,414,794)	(3,590,593)	(111,778)	664,645	(9,452,520)
Profit from operations	\$ 116,267	\$ 560,889	\$ 116,116	\$ 63,350	856,622

Non-operating income and expenses	<u>(765,273)</u>
Profit before income tax	<u>\$ 91,349</u>

	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>(7,007,817)</u>	<u>(3,656,571)</u>	<u>(110,576)</u>	<u>996,617</u>	<u>(9,778,347)</u>
Profit from operations	<u>\$ 83,239</u>	<u>\$ 242,978</u>	<u>\$ 168,029</u>	<u>\$ (11,604)</u>	<u>482,642</u>
Non-operating income and expenses					<u>(136,585)</u>
Profit before income tax					<u>\$ 346,057</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2019 and 2018.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2019 and 2018 was as follows:

	2019				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$17,391,550</u>	<u>\$21,488,321</u>	<u>\$ 4,101,694</u>	<u>\$(7,305,615)</u>	<u>\$35,675,950</u>
Liabilities	<u>\$15,616,031</u>	<u>\$13,749,346</u>	<u>\$ 2,761,632</u>	<u>\$(2,887,706)</u>	<u>\$29,239,303</u>

	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>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2019 and 2018.

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 non-current assets by geographical location were detailed below:

	<u>Revenue from External Customers</u>		<u>Non-current Assets</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Asia	\$ 19,064,621	\$ 20,588,436	\$ 19,038,706	\$ 10,762,519
America	16,569,196	16,577,477	1,173,633	70,074
Europe	2,298,732	2,578,230	230,084	234,851
Australia and others	<u>128,264</u>	<u>153,807</u>	<u>1,025</u>	<u>16,637</u>
	<u>\$ 38,060,813</u>	<u>\$ 39,897,950</u>	<u>\$ 20,443,448</u>	<u>\$ 11,084,081</u>

Non-current 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	
	2019	2018
Customer A	\$ 5,482,412	\$ 5,951,986
Customer B	<u>5,330,242</u>	<u>4,770,079</u>
	<u>\$ 10,812,654</u>	<u>\$ 10,722,065</u>

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

7.1 Analysis of Financial Status

Unit : NTD\$ thousand

Item	Year	2018	2019	Difference	
				Amount	%
Current Assets		13,362,576	13,600,889	238,313	2%
Long-term Investment		6,886,512	6,490,332	(396,180)	-6%
Fixed Assets		2,591,183	2,577,136	(14,047)	-1%
Other Assets		3,157,748	13,007,593	9,849,845	312%
Total Assets		25,998,019	35,675,950	9,677,931	37%
Current Liabilities		12,052,649	12,037,256	(15,393)	0%
Long-term Liabilities		6,531,886	17,202,047	10,670,161	163%
Other Liabilities		18,584,535	29,239,303	10,654,768	57%
Total Liabilities		5,098,875	5,098,875	0	0%
Capital stock		647,962	353,084	(294,878)	-46%
Capital surplus		1,832,432	1,555,352	(277,080)	-15%
Retained Earnings		(241,414)	(396,905)	(155,491)	64%
treasury stock		0	(313,256)	(313,256)	#DIV/0!
Non-controlling Interests		75,629	139,497	63,868	84%
Total Stockholders' Equity		7,413,484	6,436,647	(976,837)	-13%

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. Increase in other assets and the increase in total assets mainly relate to the application of the new IFRS 16 Leases, which added the right-of-use assets to this account.
2. Increase in non-current liabilities and total liabilities mainly due to the application of the new accounting pronouncement in IFRS 16 Leases, which adds new lease liabilities.
3. Decrease in capital surplus and retained earnings mainly due to dividends paid out of capital surplus.
4. Decrease in other items of shareholders' equity mainly due to the effect of the change in exchange differences on the translation of the financial statements of foreign operating entities.
5. Decrease in treasury stock mainly due to the purchase of treasury stock in 2019.
6. Increase in non-controlling interests due to the non-recognition of the cash increase in the subsidiary Chong Can (Holdings) Co.

7.2 Analysis of Operating Results

7.2.1 Analysis of Operating Results

Unit : NTD\$ thousand

Item	Year	2018	2019	Difference	
				Amount	%
Net Sales		39,897,950	38,060,813	(1,837,137)	-4%
Cost of Sales		29,636,961	27,751,671	(1,885,290)	-6%
Gross Profit		10,260,989	10,309,142	48,153	1%
Operating Expenses		9,778,347	9,452,520	(325,827)	-3%
Operating Income		482,642	856,622	373,980	78%
Non-operating Income and Expenses		(136,585)	(765,273)	(628,688)	460%
Income Before Tax		346,057	91,349	(254,708)	-74%
Tax Benefit (Expense)		72,864	20,151	(52,713)	-72%
Income After Tax		418,921	111,500	(307,421)	-73%

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. Increase in operating net profit: Mainly due to the Company's decision to end its retail business in China in 2019 and the

- decrease in operating expenses.
2. Decrease in non-operating income and expenses: Mainly due to the Company's decision to end its retail business in China in 2019 and higher recognition of impairment losses.
 3. Decrease in net profit before tax: Mainly due to the Company's decision to end its retail business in China in 2019 and higher recognition of impairment losses.
 4. Increase in income tax expenses: Mainly due to the revision in Taiwan's income tax law in 2018 and the recognition of income tax benefits.

7.2.2 Future response plans :

In 2017, global trade volumes recovered and grew at the fastest pace seen over the last decade, driven by the Agreement on Trade Facilitation taking effect, expansionary fiscal policies in China to boost demand, and the recovery in commodity prices. However, the rise in international commodity prices in 2018 and the uncertainty stemming from the U.S.-China trade war in 2019 led to a gradual slowdown in overall trade volumes. Despite these tough trading conditions, our trading business held up, bolstered by: increased shipments to Walmart, the world's number one retailer; our solid position in the hand tools category; our strategic alliance with Hillman, the leading U.S. hardware importer; and our growing sourcing agency business. As a supplier to many major retailers around the world, Test Rite will continue to focus on key customers, develop new as well as existing categories to enhance product expertise and differentiation, and strengthen our global sourcing capabilities (e.g., southbound sourcing capabilities) to continue to increase traditional trade shipments and expand new agency customers. In the face of uncertainties arising from the trade war between China and the United States, we established an Asia-Pacific Operations Center and built a supply chain in Southeast Asia to stabilize and deepen our continuous service to customers and mitigate the impact of tariffs.

Since the official implementation of the real estate tax in 2016 which suppressed demand for DIY and household products from home buyers, followed by the implementation and revision of the one-off policy in 2017, annuity policy reforms in 2018, and the 2019 trade war between China and the United States, global trade has slowed down notably, weighing on consumers' appetite to spend. In addition, the diversification of shopping sources has led to the fragmentation of spending power and changes in spending patterns, all of which are issues that we need to address as we continue to adjust our business model. In response to the changes in consumer behavior in recent years, we have strengthened customer loyalty by expanding the sales reach of our service products; proactively expanded small-community stores as a way to provide timely and professional services to customers; provided consumer experiential marketing and enhanced brand uniqueness; and provided consumers with a better shopping experience by connecting online and offline, such as the introduction of new store types with technology to optimize consumer engagement through consumer-oriented thinking, and actively promoted the new retail transformation in the home industry.

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
1,995,662	2,242,120	(2,775,356)	1,462,426	N.A.	N.A.

1. Operating Activities: The net cash inflow from operating activities NTD 2.242 billion, was attributable mostly to income before tax of NTD 91,349 as a result of non-cash expenses of NTD2,896 billion and cash inflow from financial assets at fair value through profit or loss. Net cash outflow such increase the financial assets, inventories and other operating assets and Net cash inflow cut back the other payables, measured at fair value through profit or loss, resulted in a net cash outflow of approximately NT\$ 745 million.
2. Investment activities: Net cash outflow from investing activities NTD1.450 billion came mostly from the purchasing of properties and an Increase of refundable deposits.
3. Financing activities: The net cash outflow from financing activities NTD 1,268 billion mainly due to cash dividend payout and repayment on leases.

7.3.2 Plans for improvement 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
1,462,426	4,176,000	(56,000)	1,406,426	N.A.	N.A.
Analysis of cash flow changes for the coming year: 1. Operating activities: due to sustained growth in operating activities, cash inflow from operating activities has attained NTD4.176 billion. 2. Investing and financing activities: cash outflow for investment and financing activities of NTD4.232 billion resulted from the entire year, which included new stores opening, stores renovations, new system set ups, warehouse and investments in Vietnam. Financing activities included the planned cash dividend payout and the repayment of loans and leases.					

7.4 Major Capital Expenditure Items: None.

7.5 Investment Policy in the Previous-Year, Main Drivers of Profits/Loss Improvement and Investment Plans for the Coming Year

7.5.1 Investment Policy in the Previous Year, Main Drivers of Profit /Loss 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 Drivers of Profit/Loss and Improvement Plans

Date: December 31, 2019; Unit: NT\$

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Test-Rite Retail Co., Ltd.		4,955,542	Sale of house decoration hardware and construction materials	Profit recognized under the equity method	NA
Test-Rite Home Service Co., Ltd.		86,000	Interior design	Profit recognized under the equity method	NA
Hola Home furnishings Co., Ltd.		402	Sales of furniture, bedding, kitchen equipment and fixtures	Loss recognized under the equity method	Manage related fees and additional expenses.
Testrite Brand Agency Co., Ltd.		409,802	Sales of furniture, bedding, kitchen equipment and fixtures	Profit recognized by under the equity method	NA
Test Rite C&B Co., Ltd.		329,794	Sales of furniture, bedding, kitchen equipment and fixtures	Loss recognized under the equity method	Review and improve operational performance and establish effective cost and expense control measures.
Lih Chiou Co., Ltd.		3,336,137	Investment holding company	Profit recognized under the equity method	NA
Lih Teh International Co., Ltd.		88,290	Logistics services	Profit recognized by under the equity method	NA
Fusion International Distribution, Inc.		5,585	Importation and exportation	Profit recognized by under the equity method	NA
International Art Enterprise Co., Ltd.		107,109	Trading of leisure goods	Profit recognized under the equity method	NA
B&S Link Co., Ltd., Ltd.		22,994	Providing information software and electronic information	Profit recognized under the equity method	NA
Home Tech Co., Ltd.		15,000	Other information provision services	Profit recognized under the equity method	NA

Item	Remarks	Original investment amount	Policies	Reasons for gain or loss	Action plan
Chung Cin Enterprise Co., Ltd.		665,810	Authorized builder of dwellings, rental and sale of building	Profit recognized under the equity method	NA
Tony Construction Co., Ltd.		380,000	Building and civil engineering	Profit recognized under the equity method	NA
Test Cin M&E Engineering Co., Ltd.		80,000	Mechanical and electronic engineering	Profit recognized under the equity method	NA
Chung Cin Interior Design Construction Co., Ltd.		12,000	Interior design	Profit recognized under the equity method	NA
Youmei Enterprise Co., Ltd.		65,000	Cleaning service and land scape design	Profit recognized under the equity method	NA
Hand-on Lighting Co., Ltd.		15,300	Sale of electrical appliances	Loss recognized by under the equity method	Review and improve operational performance and establish effective cost and expense control measures.
Test Cin International Co., Ltd.		5,100	Sale of construction material	Loss recognized under the equity method od	Review and improve operational performance and establish effective cost and expense control measures.
Viet Han Co., Ltd.		120,643	Importation and exportation	Loss recognized by under the equity method	Review and improve operational performance and establish effective cost and expense control measures.
Test-Rite Products (Hong Kong) Limited		4,222	Importation and exportation	Loss recognized under the equity method	Establish effective cost and expense control measures.
Test-Rite Pte Ltd.		39,748	Importation and exportation	Profit recognized under the equity method	NA
Test-Rite Viet Nam Co., Ltd.		29,175	Importation and exportation	Profit recognized under the equity method	NA
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED		114,453	Importation and exportation	Loss recognized under the equity method	Review and improve operational performance and establish effective cost and expense control measures.
TEST-RITE (UK) LTD.		110,976	Importation and exportation	Profit recognized under the equity method	NA
Test-Rite Development GmbH		930,222	Investment holding company	Mainly due to the investment in the holding company of China Trading subsidiaries, the losses of which were recognized under the equity method.	Organizational adjustment to save costs and expenses.
Test-Rite International (U.S.)Co., Ltd.		2,255,418	Investment holding company	Profit recognized under the equity method	NA
Test-Rite Int'l (Canada) Ltd.		51,483	Importation and exportation	Loss recognized under the equity method	Review and improve operational performance and establishing effective cost and expense control measures.
Test-Rite Retailing Co., Ltd.		4,426,769	Investment holding company	Losses recognized under the equity method for the holding company that invests in HOLA China's retail business.	Closure of all retail stores in China by April 2021.
Test-Rite Trading Co., Ltd.		2,522,489	Investment holding company	Mainly due 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	Mainly due to the investment in the holding company of China Trading subsidiaries, the losses of which were recognized under the equity method.	NA
Fortune Miles Trading Inc.		941	Investment holding company	Annual fee payments and loss recognized the equity method	NA

7.5.3 Investment plan in one year: No major investment project.

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	2018	2019
Ratio of liabilities to assets (%)	71.5	81.96
Interest expense	292,010	491,810
Income before tax	346,057	91,349
Ratio of interest expense to income before tax (%)	84.38	538.39

(1) Losses that have impacted the company: the Company's interest expenses from loans for 2018 and 2019 were NT\$292,010 million and NT\$491,810 million. Increase in interest expense on loans NT\$ 216,000million mainly due to application of the new accounting pronouncement in IFRS 16 Leases.

(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 on the Company's profit and loss:

Item/Year	2018	2019
Foreign exchange gain	151,708	124,507
Valuation loss of forward exchange agreement	25,814	13,742
Foreign exchange gain, (net)	177,522	138,249
Operating revenues	39,897,950	38,060,813
Income before income tax	346,057	91,349
Foreign exchange gain / Operating revenues (%)	0.44	0.24

Unit : NT\$ thousand

(2) Future measures: The Company is a professional trading company focusing predominantly on exports trading. For the most recent fiscal year, our exports 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 updates, thereby enabling us to make adjustments to our hedging approach.

3. Inflation

Energy and raw material costs are the main drivers of, inflation. While inflation in general has a limited effect on the Company due to the nature of our industry, we will continue to monitor 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 are 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 companies with which it conducts business. The total amount of guarantees and guarantee provided to a single company 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. As a result, we have greater financial resources to expand our business to grow, and at the same time enabling more suppliers to 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. 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 in the last few years, and there have been no major transfers or changes in 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.

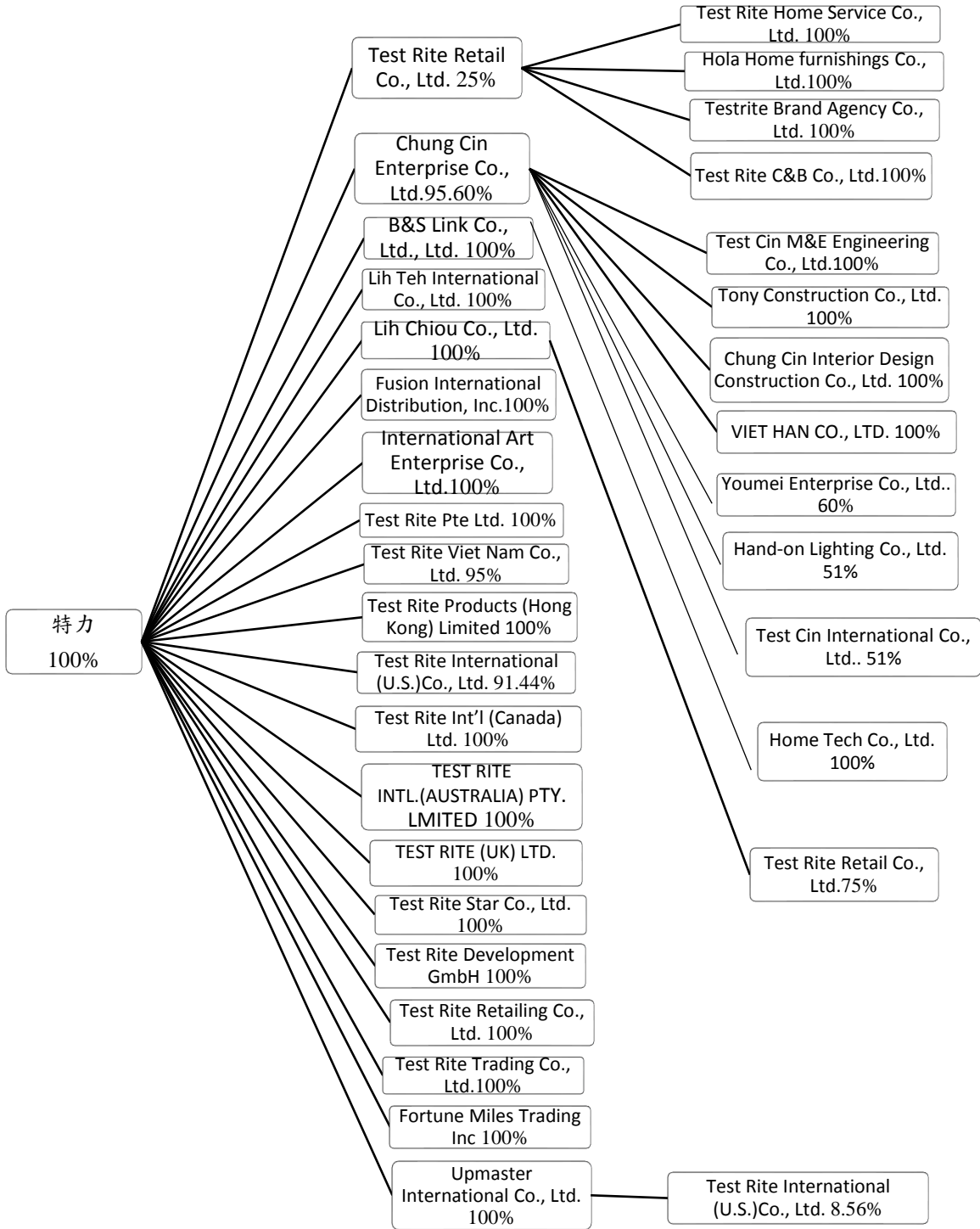
7.6.13 Other important risks, and mitigation measures being or to be taken:

Information Security Risk Management: To reduce information security risks, maintain the confidentiality and integrity of information, and further improve the overall quality of information services, the company formulates the information security policy in hopes of institutionalizing the information security system, building resilience, and achieving a sound information development environment. To ensure the effectiveness of the information security management system, the company has the Information Technology Review Board and Information Security Operations Team in place to be responsible for promoting and maintaining the management, execution and audit of the information security management system and holding management review meetings on a regular basis to review the implementation of information security and results thereof. Please refer to the company's official website for the structure of information security risk management and the information security objectives, policies, and management plans.

8 VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Investment Holding Structure



8.1.2 Profile of Affiliates :

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, bedding,, 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, bedding,, 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, bedding,, kitchen equipment and fixtures
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 3,347,540,000	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	Imports and exports
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
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
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 625,000,000	Authorized builder dwelling, rental and sale of buildings
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 380,000,000	Building 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
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.	28/11/2018	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
Viet Han Co., Ltd.	2/14/2009	No.6 Nguyen Khac Vien, Tan Phu Ward, Dist.7, HCMC.	USD 4,000,000	Imports and exports
Test-Rite Products (Hong Kong) Limited	12/30/1980	Room 2502, 25/F., 148 Electric Road, North Point , Hong Kong	HK\$ 1,000,000	Imports and exports
Test-Rite Pte Ltd.	8/11/1989	36B Boat Quay, Singapore (049825)	S\$ 2,100,000	Imports and exports
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	Imports and exports
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED	4/12/1990	310 Prarie Vale Road, Prairewood N.S.W. 2176	A\$ 3,550,000	Imports and exports
TEST-RITE (UK) LTD.	7/27/2010	133-137 Alexandra Road, London, SW19 7JY	GBP\$ 775,930	Imports and exports
Test-Rite Development GmbH	1/25/2002	Merkurring 82, 22143 Hamburg, Germany	EURO\$ 9,670,000	Investment holding company
Test-Rite International (U.S.)Co., Ltd.	6/25/1991	2711 Centerville Rd Ste 400, Wilmington, New Castle, State of Delaware	US\$72,878,000	Investment holding company
Test-Rite Int'l (Canada) Ltd.	12/29/1999	110 Riviera Drive, Markham, Ontario L3R 5M1, Canada.	CAD\$ 1,575,000	Imports and exports
Test-Rite Retailing Co., Ltd.	4/8/2003	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 139,081,000	Investment holding company
Test-Rite Trading Co., Ltd.	10/23/2002	Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands	US\$ 83,218,806	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 and President

Date: December 31, 2019

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
	Supervisor	Test Rite Int'l Co., Ltd.	24,999,999	25.00
		Representative : Robin Ho	0	0.00
		Lih Chiou Co., Ltd. Representative	75,000,001	75.00
		Representative : Linda Lin	0	0.00
Test-Rite Home Service Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Jason Chang	0	0.00
	Director	Test-Rite Retail Co., Ltd.	8,600,000	100.00
		Representative : Tony Ho	0	0.00
	Supervisor	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 : 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
	Supervisor	Test-Rite Retail Co., Ltd.	60,000	100.00
		Representative : Eric Chang	0	0.00
Testrite Brand Agency Co., Ltd.	Chairman	Test-Rite Retail Co., Ltd.	43,022,600	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
	Supervisor	Test-Rite Retail Co., Ltd.	43,022,600	100.00
		Representative : Robin Ho	0	0.00
		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.	33,000,000	100.00
		Representative : Judy Lee	0	0.00
	Supervisor	Test-Rite Retail Co., Ltd.	33,000,000	100.00
		Representative : Robin Ho	0	0.00
		Test-Rite Retail Co., Ltd.	33,000,000	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
	Supervisor	Test Rite Int'l Co., Ltd.	5,000,000	100.00
		Representative : Eric Chang	0	0.00
Lih Chiou Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd.	334,754,000	100.00
		Representative : Tony Ho	0	0.00
	Supervisor	Test Rite Int'l Co., Ltd.	334,754,000	100.00
		Representative : Eric Chang	0	0.00
Fusion International Distribution, Inc	Chairman	Test Rite Int'l Co., Ltd.	999,838	100.00
		Representative : Tony Ho	0	0.00

	Supervisor	Test Rite Int'l Co., Ltd. Representative : Eric Chang	999,838 0	100.00 0.00
International Art Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Judy Lee	1,000,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Eric Chan	1,000,000 0	100.00 0.00
B&S Link Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	2,300,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Eric Chang	2,300,000 0	100.00 0.00
Home Tech Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Judy Lee	1,500,000 0	100.00 0.00
	Supervisor	Test Rite Int'l Co., Ltd. Representative : Eric Chang	1,500,000 0	100.00 0.00
Chung Cin Enterprise Co., Ltd.	Chairman	Test Rite Int'l Co., Ltd. Representative : Tony Ho	57,291,330 0	91.67 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Judy Lee	57,291,330 0	91.67 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : Robin Ho	57,291,330 0	91.67 0.00
	Director	Test Rite Int'l Co., Ltd. Representative : YC Hsieh	57,291,330 0	91.67 0.00
	Supervisor	Represtenative:Linda Lin	0 0	0.00 0.00
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
	Director	Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	8,000,000 0	100.00 0.00
	Supervisor	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	38,000,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	38,000,000 0	100.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	38,000,000 0	100.00 0.00
	Supervisor	Chung Cin Enterprise Co., Ltd. Representative : Wen Ping Chen	38,000,000 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
	Director	Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	1,200,000 0	100.00 0.00
	Supervisor	Chung Cin Enterprise Co., Ltd. Representative : Anita Chiang	1,200,000 0	100.00 0.00
Youmei Enterprise Co.,	Chairman	Guo Hong Investment Co., Ltd. Representative : Chen Yen Chang	600,000 0	40.00 0.00

Ltd.	Director	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	900,000 0	60.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	900,000 0	60.00 0.00
	Supervisor	Anita Chiang	0	0.00
			0	0.00
Hand-on Lighting Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	1,530,000 0	51.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	1,530,000 0	51.00 0.00
		YU TZU CHIANG	840,000	28.00
	Supervisor	YU SHU HSIEN	315,000	10.50
Test Cin International Co., Ltd.	Chairman	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	510,000 0	51.00 0.00
	Director	Chung Cin Enterprise Co., Ltd. Representative : Hannis Chang	510,000 0	51.00 0.00
		Alex Yang	350,000	35.00
	Supervisor	Anita Chiang	0	4.00
VIET HAN CO., LTD.	Director	Chung Cin Enterprise Co., Ltd. Representative : YC Hsieh	4,000,000 0	100.00 0.00
Test-Rite Products (Hong Kong) Limited	Director	Tony Ho Judy Lee	0 0	0.00 0.00
Test-Rite Pte Ltd.	Director	Tony Ho Judy Lee Yang Furong	0 0 0	0.00 0.00 0.00
Test-Rite Viet Nam Co., Ltd.	Director	Tony Ho CY Hsieh	0 0	0.00 0.00
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED	Director	Tony Ho Judy Lee Robin Ho Jan Colin Payne	0 0 0 0	0.00 0.00 0.00 0.00
TEST-RITE(UK) LTD.	Director	Judy Lee Robin HO Sophia Tong	0 0 0	0.00 0.00 0.00
Test-Rite Development GmbH	Director	None	0	0.00
Test-Rite International (U.S.)Co., Ltd.	Director	Tony Ho Judy Lee	0 0	0.00 0.00
Test-Rite Int'l (Canada) Ltd.	Director	Tony Ho Judy Lee Huei-Ming Annie Wang	0 0 0	0.00 0.00 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 Judy Lee	0 0	0.00 0.00

8.1.4 Affiliates' Operating Highlights

As of 12/31/2019
(Unit: NT\$ 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	17,646,244	11,349,094	6,297,150	17,289,263	146,877	100,355	0.20
Test-Rite Retail Co., Ltd.	1,000,000	15,579,343	13,277,152	2,302,191	14,949,736	156,295	61,796	0.62
Test-Rite Home Service Co., Ltd.	86,000	259,759	134,778	124,982	813,823	40,855	33,412	3.89
Hola Home furnishings Co., Ltd.	600	122	0	122	0	(11)	(11)	(0.18)
Testrite Brand Agency Co., Ltd.	430,226	650,681	225,479	425,202	727,197	(1,962)	11,688	0.27
Test Rite C&B Co., Ltd.	330,000	592,283	518,274	74,009	220,200	(63,982)	(55,783)	(1.69)
Chung Cin Enterprise Co., Ltd.	625,000	3,553,326	2,245,075	1,308,251	509,599	63,141	103,235	1.96
Tony Construction Co., Ltd.	380,000	855,672	367,477	488,195	491,557	4,168	17,497	0.65
Test Cin M&E Engineering Co., Ltd.	80,000	234,133	97,255	136,878	145,864	18,933	18,507	2.31
Chung Cin Interior Design Construction Co., Ltd.	12,000	104,590	50,803	53,787	190,665	14,935	15,784	13.15
Viet Han Co, Ltd.	111,379	195,184	82,319	112,865	7,146	786	(1,197)	-
Test Cin International Co., Ltd.	10,000	25,544	21,594	3,950	41,024	(6,160)	(4,861)	(4.86)
Youmei Enterprise Co., Ltd.	15,000	50,784	12,866	37,917	124,403	21,404	20,997	14.00
Hand-on Lighting Co., Ltd.	30,000	39,562	11,015	28,547	49,940	(2,925)	(1,527)	(0.51)
B&S Link Co., Ltd.	23,000	23,499	0	23,499	3,430	1,707	2,805	1.22
Home Intelligence Co., Ltd.	15,000	18,971	3,961	15,010	15,000	832	967	0.64
Lih Teh International Co., Ltd.	50,000	79,910	55	79,855	0	(3,367)	2,559	0.51
Lih Chiou Co., Ltd.	3,347,540	3,723,193	1,151	3,722,041	0	(8,159)	59,564	0.16
Fusion International Distribution, Inc.	9,998	33,762	15,568	18,193	37,735	4,044	4,033	4.03
International Art Enterprise Co., Ltd.	10,000	49,100	15,593	33,507	178,077	9,276	5,811	5.81
Test-Rite Pte Ltd.	38,596	63,192	7,323	55,869	34,536	3,142	3,398	1.62

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Operating Profit (Loss)	Net Income (Net of Tax)	EPS (Net of Tax)
Test-Rite Viet Nam Co., Ltd.	25,488	4,851	3,004	1,848	0	0	3	-
Test-Rite Products (Hong Kong) Limited	3,858	33,281	531	32,750	14,192	(957)	(923)	(92.34)
Test-Rite International (U.S.)Co., Ltd.	2,196,203	5,081,334	3,644,258	1,437,076	4,743,035	119,667	63,568	10,622.49
Test-Rite Int'l (Canada) Ltd.	2	849	150	699	0	(367)	(438)	(4,379.68)
TEST-RITE INTL.(AUSTRALIA) PTY. LIMITED	74,521	1,659	969	690	0	(726)	(726)	(0.20)
TEST-RITE (UK) LTD.	30,522	51,581	1,143	50,438	20,734	4,888	3,712	4.78
Test-Rite Development GmbH	325,127	1,338,594	781,554	557,040	1,548,925	(47,686)	(87,288)	(9.03)
Test-Rite Retailing Co., Ltd.	4,191,206	1,315,505	1,842,177	(526,672)	1,825,119	50,739	(566,024)	(4.61)
Test-Rite Trading Co., Ltd.	2,507,799	2,249,601	1,025,618	1,223,983	1,159,595	88,411	44,827	0.55
Fortune Miles Trading Inc.	904	709	0	709	0	(43)	(43)	(1.44)
Upmaster International Co., Ltd.	192,864	110,184	0	110,184	0	(69)	4,249	0.66

8.1.5 Consolidated financial statements of affiliated companies

Statement of Declaration

For fiscal year 2019 (January 1 to December 31, 2019), the affiliated companies 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 the same companies, and the relevant information required to be disclosed in the consolidated financial statements of affiliated companies have been disclosed in the aforementioned consolidated financial statements of the parent and subsidiaries. Therefore there is no need to prepare consolidated financial statements separately for the Company's affiliated enterprises companies. The above is hereby declared.

Test Rite International Co., Ltd.
Chairman : Judy Lee
March 25, 2020

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 2019 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.