Test-Rite International Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Existence of Sales Revenue</u>

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2019

Notice to Readers

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

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

<u>Classification, measurement and impairment of financial assets</u>

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

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

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

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI - equity instruments	$ -	$ 75,744	$ (25,395)	$ 50,349	$ -	$ (25,395)	a)
Add: Reclassification from available-for-sale (IAS 39)	75,744	(75,744)	-	-	-	-	a)
	$ 75,744	$ -	$ (25,395)	$ 50,349	$ -	$ (25,395)	

a) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of $25,395 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Cash and cash equivalents, notes receivable, trade receivables, other receivables, other financial assets and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

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

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

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

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

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

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

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

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

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

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

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

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

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

1) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group expects to apply the following practical expedients:

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

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

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

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

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

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

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

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

Business Combinations

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

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

Foreign Currencies

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

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

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

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

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

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

Inventories

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

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

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

Property, Plant and Equipment

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

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

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

Goodwill

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

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

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

Intangible Assets

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

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

<u>2018</u>

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

a) Financial assets at FVTPL

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

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

b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2017

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

a) Financial assets at FVTPL

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

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

b) Available-for-sale financial assets

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

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

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

c) Loans and receivables

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

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

2) Impairment of financial assets and contract assets

2018

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

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

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

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

2017

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

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

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

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

3) Derecognition of financial assets

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

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

b. Financial liabilities

1) Subsequent measurement

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

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

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

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

Provisions

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

Revenue Recognition

2018

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

a. Revenue from the sale of goods

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

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

b. Revenue from the rendering of services

Service income is recognized when services are provided.

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

c. Construction contract revenue

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

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

2017

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

a. Revenue from the sale of goods

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

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

2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Group; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

b. Revenue from the rendering of services

Service income is recognized when services are provided.

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

c. Dividend and interest income

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

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

Leasing

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

a. The Group as lessor

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

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

	December 31	
	2018	**2017**
Time deposits	$ 215,980	$ 5,000

7. FINANCIAL INSTRUMENTS AT FVTPL

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

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

	Currency	Maturity Period	Contract Amount (In Thousands)
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$1,387/EUR1,160
Forward exchange contracts - sell	AUD/EUR	2019.01.03-2019.01.13	AUD508/EUR311
December 31, 2017			
Forward exchange contracts - sell	US$/NT$	2018.01.02-2018.07.24	US$241,000/NT$7,193,368
Forward exchange contracts - buy	US$/NT$	2018.01.02-2018.08.14	US$293,000/NT$8,745,464
Forward exchange contracts - sell	EUR/US$	2018.02.02	EUR100/US$120
Forward exchange contracts - buy	EUR/US$	2017.03.16-2018.07.13	US$16,972/EUR15,165
Forward exchange contracts - sell	US$/EUR	2018.01.18-2018.08.13	US$703/EUR604
Forward exchange contracts - sell	AUD/EUR	2018.09.03	AUD113/EUR73

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

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Time deposits with original maturity of more than 3 months (Note 6)	$ 30,810
Non-current	
Time deposits with original maturity of more than 3 months (Note 6)	$ 43,991

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

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturity of more than 3 months (Note 6)	$ 2,222
Non-current	
Time deposits with original maturity of more than 12 months (Note 6)	$ 235,461

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

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

2018

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

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

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

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

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

December 31, 2018

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

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

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

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
2018									
Standard Chartered	$ -	$ 2,116,262	$ 2,114,977	$ 1,285	$ -	-	$ -	US$40,200,000	-
KGI Bank	$ 3,988	$ 11,784	$ 14,488	$ 1,284	$ -	-	$ -	US$ 300,000	-
	(Note 1)	(Note 2)	(Note 3)	(Note 4)					

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

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

Note 1: US$129,754.

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

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

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

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

2017

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

The aging of receivables was as follows:

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

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

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

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

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

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

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

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
2017									
Standard Chartered	$ -	$ 429,810 (Note 1)	$ 429,810 (Note 2)	$ -	$ -	-	$ -	US$40,200,000	-
KGI Bank	$ -	$ 15,683 (Note 1)	$ 11,810 (Note 2)	$ 3,873 (Note 3)	$ -	-	$ -	US$ 500,000	-

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

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

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

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

Note 3: US$129,754.

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

11. INVENTORIES

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

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

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

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

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

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

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

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

12. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	$ 49,213

	December 31, 2018
Non-current	
Domestic investments- unlisted shares	
Grand Cathay Venture Capital II Co., Ltd.	$ 46,518
Taiwan Finance Corporation	2,695
	$ 49,213

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

13. FINANCIAL ASSETS MEASURED AT COST - 2017

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

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

14. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Subsidiaries	Main Businesses	% of Ownership December 31 2018	% of Ownership December 31 2017	Remark
Test-Rite International Co., Ltd.	Fortune Miles Trading Inc.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Star Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite International Investment Co., Ltd.	Investment in various industries	-	100.00	Note 1
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Products (Hong Kong) Limited.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l. (Australia) Pty. Limited.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l. (Canada) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite (UK) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Development GMBH	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Upmaster International Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd. 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	95.60	95.60	
Test-Rite International Co., Ltd. and Lih Chiou Co., Ltd.	Test-Rite Retail Co., Ltd.	Sale of house decoration hardware and construction materials	100.00	100.00	
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	100.00	

(Continued)

Investor	Subsidiaries	Main Businesses	% of Ownership December 31 2018	2017	Remark
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	U-ME Enterprise Co., Ltd.	Cleaning service and land scape design	60.00	-	Note 3
Chung Cin Enterprise Co., Ltd.	Hand-on Lighting Co., Ltd.	Sale of electrical appliances	51.00	-	Note 4
Chung Cin Enterprise Co., Ltd.	Test Cin International Co., Ltd.	Sale of construction material	51.00	-	Note 5
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	
Test-Rite Retail	Hola Homefurnishings Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Testrite Brand Agency Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Test-Rite C&B Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
B&S Link Co., Ltd.	Home Intelligence Co., Ltd.	Other information provision services	100.00	100.00	

(Concluded)

Note 1: Test Rite International Investment Co., Ltd. had completed the liquidation in October 2018.

Note 2: Test-Rite Vietnam Co., Ltd. resolved to dissolve in September 2015 but has yet to be liquidated.

Note 3: Chung Cin Enterprise Co., Ltd. acquired a 60% interest in U-ME Enterprise Co., Ltd in January 2018.

Note4: Chung Cin Enterprise Co., Ltd. acquired a 51% interest in Hand-on Lighting Co., Ltd. in September, 2018 (formerly known as Hand-on Lighting Ltd. and renamed itself since December 2018).

Note5: Test Cin International Co., Ltd. was established and issued $10,000 thousand ordinary shares in November 2018, and Chung Cin Enterprise Co., Ltd. holds a 51% interest in it.

15. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
Cost										
Balance at January 1, 2017	$ 545,512	$ 2,786,497	$ 94,182	$ 63,631	$ 834,498	$ 8,717,087	$ 15,469	$ 789,561	$ 152,035	$13,998,472
Additions	-	19,358	2,800	2,413	14,231	31,775	8,340	7,890	137,808	224,615
Disposals	-	(105,665)	(2,731)	(7,423)	(34,623)	(74,215)	(1,123)	(54,298)	(6,494)	(286,572)
Reclassified	-	(140,447)	(64,552)	2,244	25,350	(44,887)	21,847	168,328	(245,183)	(277,300)
Effect of foreign currency exchange differences	-	(18,320)	(2,948)	(717)	(4,644)	(36,984)	(404)	(3,352)	(69)	(67,438)
Balance at December 31, 2017	$ 545,512	$ 2,541,423	$ 26,751	$ 60,148	$ 834,812	$ 8,592,776	$ 44,129	$ 908,129	$ 38,097	$13,591,777
Accumulated depreciation and impairment										
Balance at January 1, 2017	$ -	$ 746,355	$ 59,130	$ 46,153	$ 681,500	$ 5,646,906	$ 7,492	$ 639,024	$ -	$ 7,826,560
Depreciation expense	-	106,992	4,182	5,241	40,488	375,867	4,030	84,381	-	621,181
Disposals	-	(50,006)	(1,438)	(6,247)	(31,199)	(69,440)	(1,041)	(52,966)	-	(212,337)
Reclassified	-	(99,941)	(35,305)	732	19,238	(416,840)	14,311	65,023	-	(452,782)
Effect of foreign currency exchange differences	-	(12,345)	(2,181)	(641)	(2,966)	212,023	(300)	(2,794)	-	190,796
Balance at December 31, 2017	$ -	$ 691,055	$ 24,388	$ 45,238	$ 707,061	$ 5,748,516	$ 24,492	$ 732,668	$ -	$ 7,973,418
Carrying amounts at December 31, 2017	$ 545,512	$ 1,850,368	$ 2,363	$ 14,910	$ 127,751	$ 2,844,260	$ 19,637	$ 175,461	$ 38,097	$ 5,618,359
Cost										
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	$ 545,512	$ 4,272,946	$ 28,114	$ 58,786	$ 814,298	$ 8,100,021	$ 47,871	$ 804,914	$ 33,014	$14,705,476
Accumulated depreciation and impairment										
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	$ -	$ 776,615	$ 22,864	$ 45,832	$ 696,840	$ 5,588,811	$ 28,575	$ 659,427	$ -	$ 7,818,964
Carrying amounts at December 31, 2018	$ 545,512	$ 3,496,331	$ 5,250	$ 12,954	$ 117,458	$ 2,511,210	$ 19,296	$ 145,487	$ 33,014	$ 6,886,512

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

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

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

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

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

Information about capitalized interest is as follows:

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

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

16. GOODWILL

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

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

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

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

17. OTHER INTANGIBLE ASSETS

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

	Computer Software	Others	Total
Cost			
Balance at January 1, 2017	$ 620,684	$ 102,900	$ 723,584
Additions	10,971	2,756	13,727
Disposals	(42,041)	(532)	(42,573)
Reclassified	70,874	(5,576)	65,298
Foreign exchange translation differences	(3,538)	3,808	270
Balance at December 31, 2017	$ 656,950	$ 103,356	$ 760,306
Accumulated amortization and impairment			
Balance at January 1, 2017	$ 463,341	$ 24,188	$ 487,529
Amortization expense	121,822	8,994	130,816
Disposals	(42,041)	(532)	(42,573)
Reclassified	(52,755)	(5,576)	(58,331)
Foreign exchange translation differences	7,266	891	8,157
Balance at December 31, 2017	$ 497,633	$ 27,965	$ 525,598
Carrying amounts at December 31, 2017	$ 159,317	$ 75,391	$ 234,708
Cost			
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	296	(1,256)	(960)
Balance at December 31, 2018	$ 484,855	$ 98,931	$ 583,786
Accumulated amortization and impairment			
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	407	(422)	(15)
Balance at December 31, 2018	$ 321,787	$ 32,014	$ 353,801
Carrying amounts at December 31, 2018	$ 163,068	$ 66,917	$ 229,985

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

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

18. BORROWINGS

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

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

	December 31 2018	December 31 2017
Unsecured borrowings		
Line of credit borrowings	$ 2,146,783	$ 1,211,838

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

b. Short-term bills payable

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

c. Long-term borrowings

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

(Continued)

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

(Continued)

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

(Continued)

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

(Concluded)

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

1) First Commercial Bank Syndicated Loan

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

   b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.

   c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.

   d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than $5,200,000 thousand.

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

2) Taishin International Bank Loan

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

   b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.

c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.

d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than $5,200,000 thousand.

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

3) SinoPac Bank Loan

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

b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.

c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.

d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than $5,200,000 thousand.

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

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

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

b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.

c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.

d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than $5,200,000 thousand.

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

5) Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with O-Bank:

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

b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.

c) For the EBITDA Ratio, Test-Rite Retail shall maintain a ratio of EBITDA to Interest Expense of greater than 3 to 1.

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

6) Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with Taishin International Bank:

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

b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.

c) For the EBITDA Ratio, Test-Rite Retail shall maintain a ratio of EBITDA to Interest Expense of greater than 3 to 1.

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

19. PROVISIONS

	December 31	
	2018	**2017**
Employee benefits (included in other payables)	$ 7,136	$ 12,711

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

20. OTHER PAYABLES

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

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

(Continued)

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

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Selling and marketing expenses	$ 4,624	$ 8,952

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

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

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

22. EQUITY

a. Share capital

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

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

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

b. Capital surplus

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

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

c. Retained earnings and dividends policy

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

The dividends policy of Test-Rite is as follows:

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

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

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

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

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 78,730	$ 60,947	$ -	$ -
Special reserve	14,058	18,282	-	-
Cash dividends	611,865	525,184	1.20	1.03

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

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

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

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

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

d. Others equity items

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

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

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

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

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

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

23. REVENUE

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

a. Contact balances

	December 31, 2018
Contract assets	
Properties construction	$ 204,203

(Continued)

	December 31, 2018
Contract liabilities	
Properties construction	$ 656
Customer loyalty programs	65,160
	$ 65,816

(Concluded)

b. Disaggregation of revenue

2018

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

24. INCOME TAX

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

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

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

	For the Year Ended December 31	
	2018	2017
Profit before tax		
Income tax expense calculated at the statutory rate	$ 171,779	$ 300,960
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(714)	(149,794)
Adjustments to deferred tax assets	(122,080)	129,608
Income tax on unappropriated earnings	7,759	-
Unrecognized loss carryforwards	(3,269)	-
Adjustments for prior periods	(9,915)	4,125
	43,560	284,899
Effect of tax rate changes	(116,424)	-
Income tax (benefit) expense recognized in profit or loss	$ (72,864)	$ 284,899

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

c. Income tax assessments

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

25. EARNINGS PER SHARE

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

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

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

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

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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	$ 65,000	$ 5,253

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	(6,042)	-
	$ 71,000	$ 10,584

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	(20,600)	(10,880)
Goodwill recognized on acquisitions (gain from bargain purchase)	$ 50,400	$ (296)

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	(834)	(8,671)
	$ 64,166	$ (3,418)

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

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

28. OPERATING LEASE ARRANGEMENTS

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

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

29. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

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

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

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

b. Employees' compensation and remuneration of directors and supervisors

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

Accrual rate

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

Amount

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

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

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

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

30. CAPITAL MANAGEMENT

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

31. TRANSACTIONS WITH RELATED PARTIES

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

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

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

a. Operating transactions

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

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

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

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

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

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

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

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

b. Equity transaction

See Note 27.

c. Property lease

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

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

d. Endorsements or guarantees

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

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

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

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

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

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

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

e. Compensation of key management personnel

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

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

32. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

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

b. Fair value measurements recognized in the consolidated balance sheets

December 31, 2018

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

December 31, 2017

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

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

Financial Risk Management Objectives and Policies

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

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

a. Market risk

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

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

1) Foreign currency risk

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

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

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

	USD Impact		**EUR Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**
Equity	$ (21,359)	$ (11,351)	$ 134	$ 50

2) Interest rate risk

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

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

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

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

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

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

b. Credit risk

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

1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

2) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

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

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

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

c. Liquidity risk

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

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

	December 31, 2018			
	1 Year	2-3 Years	3+ Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 7,779,257	$ -	$ 225,527	$ 8,004,784
Fixed interest rate liabilities	99,966	-	-	99,966
Variable interest rate liabilities	3,220,354	5,627,378	467,142	9,314,874
	$ 11,099,577	$ 5,627,378	$ 692,669	$ 17,419,624

	December 31, 2017			
	1 Year	2-3 Years	3+ Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,954,224	$ -	$ 230,277	$ 7,184,501
Fixed interest rate liabilities	79,992	-	-	79,992
Variable interest rate liabilities	2,436,838	4,491,928	-	6,928,766
	$ 9,471,054	$ 4,491,928	$ 230,277	$ 14,193,259

33. PLEDGED ASSETS

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

34. COMMITMENTS AND CONTINGENCIES

Letter of Credit

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

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

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

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

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

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

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

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

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

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

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

36. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

Segment Revenue and Results

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

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

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

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

Segment Assets and Liabilities

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

	2018				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	$ 11,049,013	$ 18,296,345	$ 2,028,791	$ (5,376,130)	$ 25,998,019
Liabilities	$ 8,649,751	$ 9,541,778	$ 1,035,347	$ (642,341)	$ 18,584,535

	2017				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	$ 10,995,334	$ 15,758,295	$ 1,671,290	$ (5,552,641)	$ 22,872,278
Liabilities	$ 8,028,383	$ 7,439,052	$ 723,677	$ (991,101)	$ 15,200,011

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

Geographical Information

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

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

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

Major Customer

Major customers representing at least 10% of net revenue:

	For the Year Ended December 31	
	2018	2017
Customer A	$ 5,951,986	$ 3,753,463