

**Test-Rite International Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Test-Rite International Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 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 Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the 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 Company's financial statements for the year ended December 31, 2019 is as follows:

Existence of Sales Revenue

The Company's main source of revenues comes from export sales, in which the level of revenue generated by the export sales to one major customer is significant to the financial statements. We therefore considered that the existence of sales revenue from this major customer as a key audit matter for the year ended December 31, 2019.

Our audit procedures in response to the existence of sales revenue were as follows:

1. We understood the design and implementation of internal controls and tested the operating effectiveness of controls over sales revenue.
2. We selected samples and tested sales revenue items from this major customer to ensure the validity of transactions.
3. We obtained the confirmation regarding the ending balance of accounts receivable and performed tests of subsequent collections from this major customer to verify the occurrence of transactions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company 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 financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

**TEST-RITE INTERNATIONAL CO., LTD.**

**BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 127,962	1	\$ 303,505	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	27,594	-	-	-
Notes receivable from unrelated parties (Notes 4 and 8)	184	-	14,892	-
Trade receivables from unrelated parties (Notes 4 and 8)	1,879,219	10	2,636,011	17
Trade receivables from related parties (Notes 4, 8 and 23)	2,827,583	16	1,997,029	13
Finance lease receivables (Note 23)	384,429	2	-	-
Other receivables (Notes 4 and 8)	479,993	3	66,286	-
Current tax assets(Notes 4 and 10)	2,864	-	-	-
Inventories (Notes 4 and 9)	2,814	-	4,455	-
Prepayments	161,765	1	51,380	-
Other current financial assets	168	-	168	-
Other current assets	3	-	48	-
Total current assets	<u>5,894,578</u>	<u>33</u>	<u>5,073,774</u>	<u>32</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 10)	8,842,349	50	9,184,744	57
Property, plant and equipment (Notes 4 and 11)	715,048	4	746,479	5
Right-of-use assets (Notes 4 and 12)	209,710	1	-	-
Other intangible assets (Notes 4 and 13)	52,502	-	34,302	-
Deferred tax assets (Notes 4, 10 and 19)	942,209	6	744,031	5
Finance lease receivables - non-current (Note 23)	794,126	5	-	-
Refundable deposits (Note 23)	144,833	1	144,677	1
Other non-current assets	50,889	-	1,912	-
Total non-current assets	<u>11,751,666</u>	<u>67</u>	<u>10,856,145</u>	<u>68</u>
<b>TOTAL</b>	<u>\$17,646,244</u>	<u>100</u>	<u>\$15,929,919</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ -	-	\$ 14,843	-
Trade payables to unrelated parties	3,242,044	18	3,047,572	19
Other payables (Notes 4 and 15)	397,665	2	435,086	3
Current tax liabilities (Note 4)	68,488	1	66,655	1
Lease liabilities - current (Notes 4, 12 and 23)	358,040	2	-	-
Current portion of long-term borrowings (Notes 14 and 23)	-	-	634,398	4
Other current liabilities	17,669	-	53,239	-
Total current liabilities	<u>4,083,906</u>	<u>23</u>	<u>4,251,793</u>	<u>27</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 14 and 23)	5,956,075	34	3,475,839	22
Lease liabilities - non-current (Notes 4, 12 and 23)	697,905	4	-	-
Net defined benefit liabilities - non-current (Notes 4 and 16)	84,476	-	78,829	-
Guarantee deposits received	60	-	60	-
Other non-current liabilities (Notes 4 and 10)	526,672	3	785,543	5
Total non-current liabilities	<u>7,265,188</u>	<u>41</u>	<u>4,340,271</u>	<u>27</u>
Total liabilities	<u>11,349,094</u>	<u>64</u>	<u>8,592,064</u>	<u>54</u>
<b>EQUITY (Notes 4 and 17)</b>				
Share capital				
Ordinary shares	5,098,875	29	5,098,875	32
Capital surplus	353,084	2	647,962	4
Retain earnings				
Legal reserve	1,229,705	7	1,189,056	8
Special reserve	241,414	1	180,438	1
Unappropriated earnings	84,233	1	462,938	3
Total retain earnings	1,555,352	9	1,832,432	12
Other equity	(396,905)	(2)	(241,414)	(2)
Treasury shares	(313,256)	(2)	-	-
Total equity	<u>6,297,150</u>	<u>36</u>	<u>7,337,855</u>	<u>46</u>
<b>TOTAL</b>	<u>\$17,646,244</u>	<u>100</u>	<u>\$15,929,919</u>	<u>100</u>

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

## TEST-RITE INTERNATIONAL CO., LTD.

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 22)	\$ 17,289,263	100	\$ 18,008,799	100
OPERATING COSTS (Notes 4 and 23)	<u>14,657,482</u>	<u>85</u>	<u>15,277,154</u>	<u>85</u>
GROSS PROFIT	2,631,781	15	2,731,645	15
REALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>372</u>	<u>-</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	1,949,276	12	1,942,624	11
General and administrative expenses	537,586	3	589,692	3
Expected credit (gain) loss	<u>(1,958)</u>	<u>-</u>	<u>5,405</u>	<u>-</u>
Total operating expenses	<u>2,484,904</u>	<u>15</u>	<u>2,537,721</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>146,877</u>	<u>-</u>	<u>194,296</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	27,872	-	5,273	-
Other income	63,263	-	32,949	-
(Loss) gain on sale of investments, net	(1,243)	-	1,125	-
Foreign exchange gains	103,862	1	195,229	1
Net gain on financial instruments at fair value through profit or loss	42,437	-	-	-
Other expenses	(82,002)	-	(3,743)	-
Loss on disposal of property, plant and equipment	(16)	-	(390)	-
Net loss on financial instruments at fair value through profit or loss	-	-	(46,078)	-
Share of loss of subsidiaries (Notes 4 and 10)	(199,973)	(1)	(8,103)	-
Interest expense (Note 23)	<u>(144,682)</u>	<u>(1)</u>	<u>(141,952)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(190,482)</u>	<u>(1)</u>	<u>34,310</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	(43,605)	(1)	228,606	1
INCOME TAX BENEFIT (Notes 4 and 19)	<u>143,960</u>	<u>1</u>	<u>177,887</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>100,355</u>	<u>-</u>	<u>406,493</u>	<u>2</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

## TEST-RITE INTERNATIONAL CO., LTD.

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

	2019		2018	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	(7,092)	-	4,050	-
Share of other comprehensive loss of subsidiaries	(29,860)	-	(31,410)	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries	<u>(152,178)</u>	<u>(1)</u>	<u>(34,420)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(189,130)</u>	<u>(1)</u>	<u>(61,780)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>	<u>\$ (88,775)</u>	<u>(1)</u>	<u>\$ 344,713</u>	<u>2</u>
<b>EARNINGS PER SHARE (Notes 4 and 20)</b>				
Basic	<u>\$ 0.20</u>		<u>\$ 0.80</u>	
Diluted	<u>\$ 0.20</u>		<u>\$ 0.80</u>	

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

(Concluded)



**TEST-RITE INTERNATIONAL CO., LTD.**

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

	Share (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity			Treasury Shares	Total
							Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	509,888	\$ 5,098,875	\$ 647,962	\$ 1,110,326	\$ 166,380	\$ 787,297	\$ (180,463)	\$ 25	\$ -	\$ -	\$ 7,630,402
Effect of retrospective application	-	-	-	-	-	-	-	(25)	(25,370)	-	(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
Appropriation of 2017 earnings (Note 17)											
Legal reserve	-	-	-	78,730	-	(78,730)	-	-	-	-	-
Special reserve	-	-	-	-	14,058	(14,058)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(611,865)	-	-	-	-	(611,865)
Net profit for the year ended December 31, 2018	-	-	-	-	-	406,493	-	-	-	-	406,493
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	-	(26,199)	(34,420)	-	(1,161)	-	(61,780)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	380,294	(34,420)	-	(1,161)	-	344,713
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
Effect of retrospective application (Note 3)	-	-	-	-	-	13,125	-	-	-	-	13,125
ADJUSTED BALANCE, JANUARY 1, 2019	509,888	5,098,875	647,962	1,189,056	180,438	476,063	(214,883)	-	(26,531)	-	7,350,980
Appropriation of 2018 earnings (Note 17)											
Legal reserve	-	-	-	40,649	-	(40,649)	-	-	-	-	-
Special reserve	-	-	-	-	60,976	(60,976)	-	-	-	-	-
Cash dividends	-	-	(295,735)	-	-	(356,921)	-	-	-	-	(652,656)
Net profit for the year ended December 31, 2019	-	-	-	-	-	100,355	-	-	-	-	100,355
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(33,639)	(152,178)	-	(3,313)	-	(189,130)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	66,716	(152,178)	-	(3,313)	-	(88,775)
Buy-back of ordinary shares (Note 17)	-	-	-	-	-	-	-	-	-	(313,256)	(313,256)
Changes in percentage of ownership interests in subsidiaries	-	-	857	-	-	-	-	-	-	-	857
BALANCE AT DECEMBER 31, 2019	509,888	\$ 5,098,875	\$ 353,084	\$ 1,229,705	\$ 241,414	\$ 84,233	\$ (367,061)	\$ -	\$ (29,844)	\$ (313,256)	\$ 6,297,150

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

# TEST-RITE INTERNATIONAL CO., LTD.

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Profit) loss before income tax	\$ (43,605)	\$ 228,606
Adjustments for:		
Depreciation expense	137,020	52,693
Amortization expense	11,167	10,606
Expected credit (gain) loss recognized on trade receivables	(1,958)	5,405
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(42,437)	46,078
Interest expense	144,682	141,952
Interest income	(27,872)	(5,273)
Share of loss of subsidiaries	199,973	8,103
Loss on disposal and impairment of property, plant and equipment	16	390
Loss (gain) on disposal of investments	1,243	(1,125)
Realized gain on the transactions with subsidiaries	-	(372)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(1,396)	4,830
Notes receivable	14,708	(13,367)
Trade receivables	758,750	(772,462)
Trade receivables from related parties	(830,554)	(525,153)
Other receivables	(413,543)	134,782
Inventories	1,641	62,130
Prepayments	(110,385)	11,803
Other current assets	45	(45)
Other operating assets	1,928	-
Trade payables	194,472	559,328
Other payables	(40,325)	75,946
Other current liabilities	(35,570)	40,228
Net defined benefit liabilities	(1,445)	(35,498)
Cash generated from operations	(83,445)	29,585
Interest received	27,708	7,422
Dividend received from subsidiaries	574,991	567,351
Interest paid	(146,503)	(139,780)
Income tax paid	(55,249)	(40,832)
Net cash generated from operating activities	<u>317,502</u>	<u>423,746</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments accounted for using the equity method	(1,837,805)	(830,232)
Disposals of investments in subsidiaries accounted for using the equity method	2,512	-
Dividend received from subsidiaries	536,600	13,513
Payments for property, plant and equipment	(16,266)	(27,587)
Proceeds from disposal of property, plant and equipment	-	140
Increase in refundable deposits	(156)	(2,578)

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# TEST-RITE INTERNATIONAL CO., LTD.

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

	2019	2018
Payments for intangible assets	(29,353)	(7,279)
Decrease in finance lease receivables	373,413	-
Other non-current assets	<u>(48,977)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,020,032)</u>	<u>(854,023)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	16,428,117	3,905,345
Repayments of long-term borrowings	(14,582,279)	(2,806,140)
Decrease in guarantee deposits received	-	(78,684)
Repayment of the principal portion of lease liabilities	(352,939)	-
Dividends paid	(652,656)	(611,865)
Payments for buy-back of ordinary shares	<u>(313,256)</u>	<u>-</u>
Net cash generated from financing activities	<u>526,987</u>	<u>408,656</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(175,543)	(21,621)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>303,505</u>	<u>325,126</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 127,962</u>	<u>\$ 303,505</u>

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

(Concluded)

# TEST-RITE INTERNATIONAL CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 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 financial statements are presented in Test-Rite’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

- IFRS 16 “Leases”

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

#### Definition of a lease

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

### The Company as lessee

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

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.3%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 1,460,969
Less: Recognition exemption for short-term leases	(921)
Less: Recognition exemption for leases of low-value assets	<u>(54)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,459,994</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 1,407,309</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 1,407,309</u>

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Lease receivables - current	\$ -	\$ 373,104	\$ 373,104
Lease receivables - non-current	-	1,176,621	1,176,621
Right-of-use assets	-	295,270	295,270
Investments accounted for using the equity method	<u>9,184,744</u>	<u>(424,561)</u>	<u>8,760,183</u>
Total effect on assets	<u>\$ 9,184,744</u>	<u>\$ 1,420,434</u>	<u>\$ 10,605,178</u>
Lease liabilities - current	\$ -	\$ 352,602	\$ 352,602
Lease liabilities - non-current	<u>-</u>	<u>1,054,707</u>	<u>1,054,707</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,407,309</u>	<u>\$ 1,407,309</u>
Retained earnings	<u>\$ 1,832,432</u>	<u>\$ 13,125</u>	<u>\$ 1,845,557</u>
Total effect on equity	<u>\$ 1,832,432</u>	<u>\$ 13,125</u>	<u>\$ 1,845,557</u>

The Company as lessor

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### Basis of Preparation

The parent company only 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

## **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 Company 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.

## **Foreign Currencies**

In preparing the Company's financial statements, transactions in currencies other than the Company'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 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.

### **Investments accounted for using the equity method**

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

## **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.

## **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.

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 Company 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 Company 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 the Company becomes a party to the contractual provisions of the instruments.

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

immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

Financial assets 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 24.

b) Financial assets at amortized cost

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

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

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company 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 Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets and contract assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivable and contract assets. For all other financial instruments, the Company 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

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

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

3) Derecognition of financial assets

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

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

b. Financial liabilities

1) Subsequent measurement

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

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

The Company 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.

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**

The Company 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.

### **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.

## **Leases**

### 2019

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

### **a. The Company as lessor**

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

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

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

### **b. The Company as lessee**

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated

depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

## 2018

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

### a. The Company as lessor

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

### b. The Company 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 Company'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 Company'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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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



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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 6,050	\$ 6,169
Checking accounts and demand deposits	<u>121,912</u>	<u>297,336</u>
	<u>\$ 127,962</u>	<u>\$ 303,505</u>

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Financial assets mandatorily classified as at FVTPL - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 27,594	\$ -
	<u>\$ 27,594</u>	<u>\$ -</u>
Financial liabilities held for trading - current		
Derivative financial liabilities		
Foreign exchange forward contracts	\$ -	\$ 14,843
	<u>\$ -</u>	<u>\$ 14,843</u>

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

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Forward exchange contracts - sell	US\$/NT\$	2020.01.03-2020.06.24	US\$292,000/NT\$8,799,420
Forward exchange contracts - buy	US\$/NT\$	2020.01.02-2020.07.01	US\$326,000/NT\$9,824,010
Forward exchange contracts - sell	EUR/US\$	2020.01.21-2020.04.30	EUR1,170/US\$1,305
<u>December 31, 2018</u>			
Forward exchange contracts - sell	US\$/NT\$	2019.01.02-2019.02.25	US\$101,000/NT\$3,104,033
Forward exchange contracts - buy	US\$/NT\$	2019.01.02-2019.02.26	US\$148,000/NT\$4,548,484
Forward exchange contracts - sell	EUR/US\$	2019.01.10	EUR100/US\$114

The Company 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. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 184	\$ 14,892
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>184</u>	<u>14,892</u>
	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,741,891	\$ 2,304,618
Less: Allowance for impairment loss	<u>(1,863)</u>	<u>(40,318)</u>
	1,740,028	2,264,300
Financial assets at FVTOCI	<u>139,191</u>	<u>371,711</u>
	<u>1,879,219</u>	<u>2,636,011</u>
	<u>\$ 1,879,403</u>	<u>\$ 2,650,903</u>
<u>Trade receivables - related parties</u>		
At amortized cost		
Gross carrying amount (Note 23)	\$ 2,827,583	\$ 1,997,029
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 2,827,583</u>	<u>\$ 1,997,029</u>
<u>Other receivables</u>		
Other receivables - related parties (Note 23)	\$ 448,966	\$ 46,528
VAT refunds for export sales	4,656	3,631
Others	<u>26,371</u>	<u>16,127</u>
	<u>\$ 479,993</u>	<u>\$ 66,286</u>

The average credit period of sales of goods was 90 days. No interest was charged on notes receivable or trade receivables. The Company 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 Company uses other publicly available financial information or its own trading records to rate its major customers. The Company'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 Company 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 Company's credit risk was significantly reduced.

The Company measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status of notes receivable and trade receivables.

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

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

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	95%-100%	
Gross carrying amount	\$ 1,666,609	\$ 97,632	\$ 35,042	\$ 80,022	\$ 1,961	\$ 1,881,266
Loss allowance (Lifetime ECLs)	-	-	-	-	(1,863)	(1,863)
Amortized cost	<u>\$ 1,666,609</u>	<u>\$ 97,632</u>	<u>\$ 35,042</u>	<u>\$ 80,022</u>	<u>\$ 98</u>	<u>\$ 1,879,403</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	-	-	95%-100%	
Gross carrying amount	\$ 2,183,687	\$ 376,852	\$ 31,820	\$ 54,245	\$ 44,617	\$ 2,691,221
Loss allowance (Lifetime ECLs)	-	-	-	-	(40,318)	(40,318)
Amortized cost	<u>\$ 2,183,687</u>	<u>\$ 376,852</u>	<u>\$ 31,820</u>	<u>\$ 54,245</u>	<u>\$ 4,299</u>	<u>\$ 2,650,903</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 40,318	\$ 34,913
Add: Net remeasurement of loss allowance	-	5,405
Less: Written off	(36,497)	-
Less: Net remeasurement of loss allowance	<u>(1,958)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,863</u>	<u>\$ 40,318</u>

The trade receivables factoring is summarized as follows:

(Unit: US\$ in Dollars; NT\$ in Thousands)

Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
<u>2019</u>									
Standard Chartered	\$ 1,260 (Note 1)	\$ 2,541,087 (Note 2)	\$ 2,542,347 (Note 3)	\$ -	\$ -	-	\$ -	US\$40,200,000	-
KGI Bank	\$ 1,259 (Note 1)	\$ -	\$ 1,259 (Note 3)	\$ -	\$ -	-	\$ -	-	-
Taishin International Bank	\$ -	\$ 155,170 (Note 2)	\$ 155,170 (Note 3)	\$ -	\$ -	-	\$ -	US\$10,000,000	-

(Unit: US\$ in Dollars; NT\$ in Thousands)

Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
<u>2018</u>									
Standard Chartered	\$ -	\$ 2,116,262 (Note 5)	\$ 2,114,977 (Note 6)	\$ 1,285 (Note 7)	\$ -	-	\$ -	US\$40,200,000	-
KGI Bank	\$ 3,988 (Note 4)	\$ 11,784 (Note 5)	\$ 14,488 (Note 6)	\$ 1,284 (Note 7)	\$ -	-	\$ -	US\$ 300,000	-

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

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

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

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

Note 4: US\$129,754.

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

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

Note 7: US\$41,809; US\$41,785; shown respectively from top to bottom of column.

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

## 9. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Merchandise	<u>\$ 2,814</u>	<u>\$ 4,455</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was \$14,655,126 thousand and \$15,001,532 thousand, respectively.

The operating costs include reversals of inventory write-downs in the amount \$18,246 thousand for the year ended December 31, 2019. The operating costs include reversals of inventory write-downs in the amount of \$4,766 thousand for the year ended December 31, 2018. Previous write-downs have been reversed according to the result of inventory sale.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments in subsidiaries	<u>\$ 8,842,349</u>	<u>\$ 9,184,744</u>
a. Investments in subsidiaries		
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fortune Miles Trading Inc.	\$ 709	\$ 766
Test-Rite Star Co., Ltd.	-	2,545
Test-Rite Retailing Co., Ltd.	-	-
Test-Rite Trading Co., Ltd.	1,226,326	1,162,397
Upmaster International Co., Ltd.	110,184	88,859
Test-Rite Pte Ltd.	55,868	53,601
Test-Rite Products (Hong Kong) Limited	50,620	52,280
Test-Rite Intl.(Australia) Pty. Limited	15,791	16,976
Test Rite Int'l. (Canada) Ltd.	4,143	4,485
Test-Rite (UK) Ltd.	50,438	46,015
Test-Rite Development GmbH	557,040	669,425
Test Rite Viet Nam Co., Ltd.	1,847	1,843
Test-Rite International (U.S.) Co., Ltd.	1,452,204	824,706
Lih Chiou Co., Ltd.	3,722,041	4,407,774
Lih Teh International Co., Ltd.	79,855	81,113
B&S Link Co., Ltd.	23,499	20,694
Fusion International Distribution Inc.	18,193	14,161
ChungCin Enterprise Co., Ltd.	1,113,296	849,222
International Art Enterprise Co., Ltd.	87,306	92,158
Test-Rite Retail Co., Ltd.	<u>272,989</u>	<u>795,724</u>
	<u>\$ 8,842,349</u>	<u>\$ 9,184,744</u>

The proportion of ownership and voting rights is as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fortune Miles Trading Inc.	100.00%	100.00%
Test-Rite Star Co., Ltd.	-	100.00%
Test-Rite Retailing Co., Ltd.	100.00%	100.00%
Test-Rite Trading Co., Ltd.	100.00%	100.00%
Upmaster International Co., Ltd.	100.00%	100.00%
Test-Rite Pte Ltd.	100.00%	100.00%
Test-Rite Products (Hong Kong) Limited	100.00%	100.00%
Test-Rite Intl.(Australia) Pty. Limited	100.00%	100.00%
Test Rite Int'l. (Canada) Ltd.	100.00%	100.00%
Test-Rite (UK) Ltd.	100.00%	100.00%
Test-Rite Development GmbH	100.00%	100.00%
Test Rite Viet Nam Co., Ltd.	95.00%	95.00%
Test-Rite International (U.S.) Co., Ltd.	93.79%	91.44%
Lih Chiou Co., Ltd.	100.00%	100.00%
Lih Teh International Co., Ltd.	100.00%	100.00%
B&S Link Co., Ltd.	100.00%	100.00%
Fusion International Distribution Inc.	100.00%	100.00%
ChungCin Enterprise Co., Ltd.	91.67%	95.60%
International Art Enterprise Co., Ltd.	100.00%	100.00%
Test-Rite Retail Co., Ltd.	25.00%	25.00%

- b. Fortune Miles Trading Inc. is engaged mainly in the investment of computer peripheral equipment.
- c. Test-Rite Star Co., Ltd. is engaged mainly in the investment of hand tools, auto parts and various home appliances and had completed the liquidation procedures in September 2019.
- d. Test-Rite Retailing Co., Ltd. is engaged mainly in the investment of retail business.
- e. Test-Rite Trading Co., Ltd., Upmaster International Co., Ltd., Test-Rite Pte Ltd., Test-Rite Products (Hong Kong) Limited, Test-Rite Intl. (Australia) Pty. Limited, Test Rite Int'l. ((Canada) Ltd., Test-Rite (UK) Ltd., Test-Rite Development GmbH, Test Rite Viet Nam Co., Ltd., Test-Rite International (U.S.) Co., Ltd. and International Art Enterprise Co., Ltd. are engaged mainly in the investment of the import and export trading business. The Company did not subscribe proportionally for the additional new shares issued by Test-Rite International (U.S.) Co., Ltd., and therefore the Company's ownership percentage in Test-Rite International (U.S.) Co., Ltd. increased from 91.44% to 93.79%.
- f. Due to the continuous operating loss, the share of loss of Test-Rite Retailing Co., Ltd. has exceeded the book value and the Company continues recognizing its share of further loss. Therefore, the credit balance as of December 31, 2019 and 2018 has been reclassified to non-current liabilities.
- g. Test-Rite Vietnam Co., Ltd. resolved to dissolve the company in September 2015 and the liquidation date was September 30, 2015. However, the liquidation procedure has not yet been completed as of December 31, 2019.
- h. Lih Chiou Co., Ltd. is engaged mainly in the investment of various business.
- i. Lih Teh International Co., Ltd. is engaged mainly in the logistics business.
- j. B&S Link Co., Ltd. is engaged mainly in providing software and electronic information.
- k. Fusion International Distribution Inc. is engaged mainly in the importation and exportation of goods.

- l. ChungCin Enterprise Co., Ltd. is engaged mainly as an in the authorized builder to build dwelling, as well as rental and sale of building. The Company did not subscribe for all of the additional new shares issued by Chung Cin Enterprise Co., Ltd as of July 31, 2019, and therefore the Company's ownership percentage in ChungCin Enterprise Co., Ltd. was reduced from 95.60% to 91.67%.
- m. Test-Rite Retail Co., Ltd. is engaged mainly in the sale of house decoration, hardware and construction materials. Test-Rite Retail Co., Ltd. is a 100%-owned subsidiary of the Company.
- n. The details of investment gain or loss recognized under the equity method in 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Fortune Miles Trading Inc.	\$ (43)	\$ (42)
Test-Rite Star Co., Ltd.	(89)	(69)
Test-Rite Retailing Co., Ltd.	(566,024)	(476,356)
Test-Rite Trading Co., Ltd.	44,827	14,213
Upmaster International Co., Ltd.	4,249	(593)
Test-Rite Pte Ltd.	3,398	4,387
Test-Rite Products (Hong Kong) Limited	(923)	(1,361)
Test-Rite Intl.(Australia) Pty. Limited	(726)	(260)
Test Rite Int'l. (Canada) Ltd.	(438)	(468)
Test-Rite (UK) Ltd.	3,712	2,012
Test-Rite Development GmbH	(87,288)	(8,042)
Test Rite Viet Nam Co., Ltd.	3	5
Test-Rite International (U.S.) Co., Ltd.	59,250	(5,607)
Lih Chiou Co., Ltd.	59,564	231,772
Lih Teh International Co., Ltd.	2,559	(697)
B&S Link Co., Ltd.	2,805	306
Fusion International Distribution Inc.	4,032	(318)
Chung Cin Enterprise Co., Ltd.	150,965	136,091
International Art Enterprise Co., Ltd.	4,296	8,844
Test-Rite Retail Co., Ltd.	<u>115,898</u>	<u>88,080</u>
	<u>\$ (199,973)</u>	<u>\$ (8,103)</u>

- o. The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements which have been audited for the same years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Computer Equipment	Leasehold Improvements	Molds and Tools	Prepayments for Property, Plant and Equipment	Total
<u>Cost</u>									
Balance at January 1, 2018	\$ 267,519	\$ 610,294	\$ 2,325	\$ 54,663	\$ 55,868	\$ 58,104	\$ 23,508	\$ 184	\$ 1,072,465
Additions	-	-	-	4,947	3,238	11,146	5,635	694	25,660
Disposals	-	-	-	(3,897)	(3,966)	(92)	(899)	-	(8,854)
Balance at December 31, 2018	<u>\$ 267,519</u>	<u>\$ 610,294</u>	<u>\$ 2,325</u>	<u>\$ 55,713</u>	<u>\$ 55,140</u>	<u>\$ 69,158</u>	<u>\$ 28,244</u>	<u>\$ 878</u>	<u>\$ 1,089,271</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2018	\$ -	\$ 189,103	\$ 2,325	\$ 25,664	\$ 39,253	\$ 32,975	\$ 9,103	\$ -	\$ 298,423
Depreciation expense	-	15,687	-	9,375	6,444	15,952	5,235	-	52,693
Disposals	-	-	-	-	-	-	-	-	-
Reclassified	-	-	-	(3,897)	(3,888)	(92)	(447)	-	(8,324)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 204,790</u>	<u>\$ 2,325</u>	<u>\$ 31,142</u>	<u>\$ 41,809</u>	<u>\$ 48,835</u>	<u>\$ 13,891</u>	<u>\$ -</u>	<u>\$ 342,792</u>
Carrying amounts at December 31, 2018	<u>\$ 267,519</u>	<u>\$ 405,504</u>	<u>\$ -</u>	<u>\$ 24,571</u>	<u>\$ 13,331</u>	<u>\$ 20,323</u>	<u>\$ 14,353</u>	<u>\$ 878</u>	<u>\$ 746,479</u>
<u>Cost</u>									
Balance at January 1, 2019	\$ 267,519	\$ 610,294	\$ 2,325	\$ 55,713	\$ 55,140	\$ 69,158	\$ 28,244	\$ 878	\$ 1,089,271
Additions	-	-	-	-	81	-	-	20,910	20,991
Disposals	-	-	-	(625)	(921)	(23,572)	(596)	-	(25,714)
Reclassified	-	-	-	6,011	6,178	6,008	1,410	(21,549)	(1,942)
Balance at December 31, 2019	<u>\$ 267,519</u>	<u>\$ 610,294</u>	<u>\$ 2,325</u>	<u>\$ 61,099</u>	<u>\$ 60,478</u>	<u>\$ 51,594</u>	<u>\$ 29,058</u>	<u>\$ 239</u>	<u>\$ 1,082,606</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2019	\$ -	\$ 204,790	\$ 2,325	\$ 31,142	\$ 41,809	\$ 48,835	\$ 13,891	\$ -	\$ 342,792
Depreciation expense	-	15,687	-	9,486	6,339	13,533	5,418	-	50,464
Disposals	-	-	-	(625)	(921)	(23,572)	(580)	-	(25,698)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 220,478</u>	<u>\$ 2,325</u>	<u>\$ 40,003</u>	<u>\$ 47,227</u>	<u>\$ 38,796</u>	<u>\$ 18,729</u>	<u>\$ -</u>	<u>\$ 367,558</u>
Carrying amounts at December 31, 2019	<u>\$ 267,519</u>	<u>\$ 389,816</u>	<u>\$ -</u>	<u>\$ 21,096</u>	<u>\$ 13,251</u>	<u>\$ 12,798</u>	<u>\$ 10,329</u>	<u>\$ 239</u>	<u>\$ 715,048</u>

The property, plant and equipment of the Company are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	35-40 years
Transportation equipment	4 years
Furniture, fixtures and office equipment	1-5 years
Computer equipment	1-5 years
Leasehold improvements	2-3 years
Molds and tools	3-5 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

#### Carrying amounts

Office buildings	\$ 204,249
Transportation equipment	<u>5,461</u>
	<u>\$ 209,710</u>

**December 31,  
2019**



	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 1,575</u>
Depreciation charge for right-of-use assets	
Office buildings	\$ 82,390
Transportation equipment	<u>4,166</u>
	<u>\$ 86,556</u>

b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 358,040</u>
Non-current	<u>\$ 697,905</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Office buildings	1.30%
Transportation equipment	1.30%

c. Subleases

Sublease of right-of-use assets - 2019

The Company subleases its right-of-use assets for office buildings equipment under operating leases with an option to extend for an additional 4 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	<b>December 31, 2019</b>
Year 1	\$ 397,035
Year 2	400,359
Year 3	<u>403,716</u>
	<u>\$ 1,201,110</u>

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

d. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 16,030</u>
Expenses relating to low-value asset leases	<u>\$ 2,546</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 889</u>

**13. OTHER INTANGIBLE ASSETS**

		<u>December 31</u>	
		<b>2019</b>	<b>2018</b>
Computer software		\$ 52,502	\$ 34,302
Others		<u>-</u>	<u>-</u>
		<u>\$ 52,502</u>	<u>\$ 34,302</u>
		<b>Patent</b>	<b>Computer Software</b>
			<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2018	\$ 952	\$ 111,311	\$ 112,263
Additions	-	7,279	7,279
Disposals	-	(1,945)	(1,945)
Reclassified	<u>-</u>	<u>(5,657)</u>	<u>(5,657)</u>
Balance at December 31, 2018	<u>\$ 952</u>	<u>\$ 110,988</u>	<u>\$ 111,940</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ (952)	\$ (67,137)	\$ (68,089)
Amortization expense	-	(10,606)	(10,606)
Disposals	-	1,945	1,945
Reclassified	<u>-</u>	<u>(888)</u>	<u>(888)</u>
Balance at December 31, 2018	<u>\$ (952)</u>	<u>\$ (76,686)</u>	<u>\$ (77,638)</u>
Carrying amounts at December 31, 2018	<u>\$ -</u>	<u>\$ 34,302</u>	<u>\$ 34,302</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 952	\$ 110,988	\$ 111,940
Additions	-	29,353	29,353
Disposals	-	-	-
Reclassified	<u>-</u>	<u>14</u>	<u>14</u>
Balance at December 31, 2019	<u>\$ 952</u>	<u>\$ 140,355</u>	<u>\$ 141,307</u>

	<b>Patent</b>	<b>Computer Software</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ (952)	\$ (76,686)	\$ (77,638)
Amortization expense	-	(11,167)	(11,167)
Disposals	-	-	-
Reclassified	-	-	-
Balance at December 31, 2019	<u>\$ (952)</u>	<u>\$ (87,853)</u>	<u>\$ (88,805)</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 52,502</u>	<u>\$ 52,502</u>

#### 14. BORROWINGS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Current portion of long-term borrowings	<u>\$ -</u>	<u>\$ 634,398</u>
Long-term borrowings	<u>\$ 5,956,075</u>	<u>\$ 3,475,839</u>

##### a. Long-term borrowings

	<u>December 31</u>		
	<b>2019</b>		<b>2018</b>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>
First Commercial Bank's syndicated loan			
Unsecured loan from June 17, 2019 to June 17, 2024. Authorized credit line of \$6,800 million. Principal due on June 17, 2024.	1.7895%- 3.0867%	\$ 4,573,375	\$ -
Unsecured loan from June 17, 2015 to June 17, 2020. Authorized credit line of \$4,480 million. On March 26, 2019, the Company paid the principal in full in advance.	-	-	2,113,718
Unsecured loan from June 24, 2015 to June 24, 2020. Authorized credit line of \$1,500 million. On March 18, 2019, the Company paid the principal in full in advance.	-	-	675,000

(Continued)

	<b>December 31</b>		
	<b>2019</b>		<b>2018</b>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>
<b>KGI Bank</b>			
Unsecured loan from September 25, 2019 to September 25, 2021. Authorized credit line of \$300 million. Principal due on September 25, 2021.	1.04556%	\$ 300,000	-
Unsecured loan from December 10, 2018 to December 10, 2020. Authorized credit line of \$300 million. On April 15, 2019, the Company paid the principal in full in advance.	-	-	276,597
<b>Export-Import Bank of the Republic of China</b>			
Unsecured loan from May 16, 2019 to May 16, 2025. Authorized credit line of \$680 million. Principal due in installments according to the bank's contracts.	1.1035%	480,000	-
<b>December 31</b>			
	<b>2019</b>		<b>2018</b>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>
<b>SinoPac Bank</b>			
Unsecured loan from November 21, 2019 to November 30, 2021. Authorized credit line of US\$30 million. Principal due on November 30, 2021.	2.7484%- 2.7696%	602,700	-
Unsecured loan from December 19, 2018 to December 19, 2020. Authorized credit line of US\$30 million. On January 18, 2019, the Company paid the principal in full in advance.	-	-	860,524
<b>December 31</b>			
	<b>2019</b>		<b>2018</b>
	<b>Interest Rate</b>	<b>Amount</b>	<b>Amount</b>
<b>E.SUN Bank</b>			
Unsecured loan from December 20, 2017 to December 20, 2019. Authorized credit line of US\$6 million. On January 4, 2019, the Company paid the principal in full in advance.	-	-	184,398
Less current portion		-	(634,398)
		<u>\$ 5,956,075</u>	<u>\$ 3,475,839</u> (Concluded)

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

1) First Commercial Bank Syndicated Loan

- a) For the Financial Liabilities Ratio, Test-Rite shall maintain a ratio of Financial Liabilities to Tangible Net Worth of no more than 1.5 to 1.
- b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
- c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.
- d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
- e) The calculations of the ratios are based on the Company's standalone financial statements for each year ended December 31.

2) SinoPac Bank Loan

- a) For the Financial Liabilities Ratio, Test-Rite shall maintain a ratio of Financial Liabilities to Tangible Net Worth of no more than 1.5 to 1.
- b) For the Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of no less than 1 to 1.
- c) For the EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to Interest Expense of greater than 2.5 to 1.
- d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
- e) The calculations of the ratios are based on the Company's standalone financial statements for each year ended December 31.

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

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

## 15. OTHER PAYABLES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Accrued expenses	\$ 268,216	\$ 336,763
Payable for purchase of equipment	9,151	6,172
Bonuses payable to employees	300	3,045
Bonuses payable to directors and supervisors	-	3,517
Others	<u>119,998</u>	<u>85,589</u>
	<u>\$ 397,665</u>	<u>\$ 435,086</u>

## 16. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 131,585	\$ 124,372
Fair value of plan assets	<u>(47,109)</u>	<u>(45,543)</u>
	<u>84,476</u>	<u>78,829</u>
Net defined benefit liability (included in net defined benefit liabilities - non-current)	<u>\$ 84,476</u>	<u>\$ 78,829</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2018	\$ 136,576	\$ (18,199)	\$ 118,377
Service cost			
Current service cost	523	-	523
Net interest expense	<u>1,707</u>	<u>(248)</u>	<u>1,459</u>
Recognized in profit or loss	<u>2,230</u>	<u>(248)</u>	<u>1,982</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(679)	(679)
Actuarial loss - changes in demographic assumptions	14,018	-	14,018
Actuarial loss - changes in financial assumptions	1,607	-	1,607
Actuarial loss - experience adjustments	<u>(18,996)</u>	<u>-</u>	<u>(18,996)</u>
Recognized in other comprehensive income	<u>(3,371)</u>	<u>(679)</u>	<u>(4,050)</u>
Contributions from the employer	-	(26,417)	(26,417)
Benefits paid	<u>(11,063)</u>	<u>-</u>	<u>(11,063)</u>
Balance at December 31, 2018	124,372	(45,543)	78,829
Service cost			
Current service cost	458	-	458
Net interest expense	<u>1,399</u>	<u>(528)</u>	<u>871</u>
Recognized in profit or loss	<u>1,857</u>	<u>(528)</u>	<u>1,329</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(708)	(708)
Actuarial loss - changes in demographic assumptions	1,565	-	1,565
Actuarial loss - changes in financial assumptions	5,554	-	5,554
Actuarial loss - experience adjustments	<u>681</u>	<u>-</u>	<u>681</u>
Recognized in other comprehensive income	<u>7,800</u>	<u>(708)</u>	<u>7,092</u>
Contributions from the employer	-	(2,774)	(2,774)
Benefits paid	<u>(2,444)</u>	<u>2,444</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 131,585</u>	<u>\$ (47,109)</u>	<u>\$ 84,476</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating expenses	<u>\$ 1,329</u>	<u>\$ 1,982</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.750%	1.125%
Expected rate of salary increase	3.000%	3.000%

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (3,751)</u>	<u>\$ (3,722)</u>
0.25% decrease	<u>\$ 3,896</u>	<u>\$ 3,873</u>
Expected rate of salary increase		
0.25%-1% increase	<u>\$ 3,745</u>	<u>\$ 3,735</u>
0.25%-1% decrease	<u>\$ (3,626)</u>	<u>\$ (3,611)</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	<u>\$ 2,774</u>	<u>\$ 2,830</u>
Average duration of the defined benefit obligation	11.5 years	12.2 years



## 17. EQUITY

### a. Share capital

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

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

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

### b. Capital surplus

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

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

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

### c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Above dividends, legal reserve and capital surplus which is distributed by cash, the Company authorizes the distribution after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-b.

The dividends policy of Test-Rite is as follows:

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

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

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

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 20, 2019 and June 19, 2018, respectively, were as follows:

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

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

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

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

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

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

d. Others equity items

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

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New

Taiwan dollars) were recognized directly in other comprehensive income and accumulated in a foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of foreign operations.

2) Unrealized gain (loss) on financial assets at FVTOCI

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

e. Treasury shares

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

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

**18. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 16,641,353	\$ 16,930,948
Rental income	-	408,569
Other operating revenue	<u>647,910</u>	<u>669,282</u>
	<u>\$ 17,289,263</u>	<u>\$ 18,008,799</u>

**19. INCOME TAX**

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current period	\$ 49,100	\$ 44,898
Adjustments for deferred tax assets	(193,778)	(128,848)
Income tax on unappropriated earnings	-	7,759
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(91,782)
Deferred tax		
Adjustments for prior periods	<u>718</u>	<u>(9,914)</u>
Income tax benefit recognized in profit or loss	<u>\$ (143,960)</u>	<u>\$ (177,887)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
(Loss) profit before tax		
Income tax expense calculated at the statutory rate	\$ (8,721)	\$ 45,721
Increase (decrease) in tax resulting from other adjustments of		
Permanent differences	57,821	(823)
Adjustments to deferred tax assets	(193,778)	(128,848)
Income tax on unappropriated earnings	-	7,759
Adjustments for prior periods	-	(91,782)
Effect of tax rate changes	<u>718</u>	<u>(9,914)</u>
Income tax benefit recognized in profit or loss	<u>\$ (143,960)</u>	<u>\$ (177,887)</u>

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

c. Deferred tax assets and liabilities

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax assets</u>		
Temporary difference		
Share of losses of subsidiaries accounted for using the equity method	\$ 896,535	\$ 658,909
Financial assets and liabilities at FVTPL	(5,531)	2,307
Unrealized loss on inventories	-	3,102
Allowance for doubtful accounts	12,204	11,343
Allowance for sales returns and discounts	14,777	11,111
Allowance for compensation losses	14,743	8,280
Net defined benefit liability	(19,037)	(15,935)
Financial assets at FVTOCI	6,380	5,423
Others	<u>22,138</u>	<u>59,491</u>
	<u>\$ 942,209</u>	<u>\$ 744,031</u>

d. Income tax assessments

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

## 20. EARNINGS PER SHARE

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

	<b>2019</b>		
	<b>Amounts (Numerator) Parent Co. Shareholders Income After Tax</b>	<b>Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$) Parent Co. Shareholders Income After Tax</b>
Basic earnings per share			
Net income to shareholders of common shares	\$ 100,355	503,123	<u>\$ 0.20</u>
The effects of dilutive potential common shares			
Compensation to employees (Note)	<u>-</u>	<u>-</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 100,355</u>	<u>503,123</u>	<u>\$ 0.20</u>
	<b>2018</b>		
	<b>Amounts (Numerator) Parent Co. Shareholders Income After Tax</b>	<b>Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$) Parent Co. Shareholders Income After Tax</b>
Basic earnings per share			
Net income to shareholders of common shares	\$ 406,493	509,888	<u>\$ 0.80</u>
The effects of dilutive potential common shares			
Compensation to employees	<u>-</u>	<u>189</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 406,493</u>	<u>510,077</u>	<u>\$ 0.80</u>

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

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

## 21. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

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

Expense Item	Function	2019			2018		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses							
Salaries		\$ -	\$ 362,506	\$ 362,506	\$ -	\$ 396,745	\$ 396,745
Labor insurance and health insurance		-	35,344	35,344	-	33,005	33,005
Pension cost		-	22,543	22,543	-	21,309	21,309
Other employee benefits		-	2,374	2,374	-	4,581	4,581
Others		-	20,378	20,378	-	17,850	17,850
Depreciation expenses		-	137,020	137,020	-	52,693	52,693
Amortization expenses		-	11,167	11,167	-	10,606	10,606

As of December 31, 2019 and 2018, the Company had 421 and 403 employees, respectively, and the number of directors who have not served as employees were both 3.

As of December 31, 2019 and 2018, the average employee benefit expense was \$1,054 thousand and \$1,172 thousand, respectively, and the average employee salary expense was \$867 thousand and \$992 thousand, respectively. The average employee salary expense decreased by 12.6%.

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

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Since the Company did not profit before the tax in 2019, the employees' compensation and remuneration of directors and supervisors was not estimated in 2019. The employees' compensation and remuneration of directors and supervisors for the year ended December 31, 2018, which have been approved by the Company's board of directors on March 26, 2019, were as follows:

### Accrual rate

	<b>For the Year Ended December 31, 2018</b>
Employees' compensation	1.0%
Remuneration of directors and supervisors	1.5%

### Amount

	<b>For the Year Ended December 31, 2018</b>
	<b>Cash</b>
Employees' compensation	\$ 2,345
Remuneration of directors and supervisors	3,517

If there is a change in the amounts after the annual 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 financial statements for the years ended December 31, 2018 and 2017.

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

## 22. 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.

## 23. 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 Company and other related parties are disclosed below.

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

Name	Relationship
Chung Cin Enterprise Co., Ltd	Subsidiary
Test-Rite Retail Co., Ltd	Subsidiary
Lih Teh International Co., Ltd	Subsidiary
Test-Rite Retailing Co., Ltd	Subsidiary
Test-Rite International (Germany) GmbH	Subsidiary
Test-Rite PRODUCTS CORP.	Subsidiary
Homezone Int'l Corp	Subsidiary
Subsidiary of TR Development	Subsidiary
Test-Rite Business Development	Subsidiary
Shanghi B&S Link Logistics Management Ltd	Subsidiary
Test-Rite Brand Agency Co., Ltd	Subsidiary
Test-Rite C&B Co., Ltd	Subsidiary
X-Cel Relationship Management Co., Ltd.	Entity controlled by key management personnel
Up master Investment Co., Ltd.	Entity controlled by key management personnel
Li Xiong Co., Ltd.	Entity controlled by key management personnel
Judy Lee	Chairman of Test-Rite

### a. Operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Sales</u>		
Subsidiaries		
Test-Rite PRODUCTS CORP.	\$ 3,199,393	\$ 2,796,658
Others	<u>1,203,244</u>	<u>1,105,149</u>
	<u>\$ 4,402,637</u>	<u>\$ 3,901,807</u>

The Company sold goods to foreign related parties by T/T collection, the collection days were T/T 90 days to 180 days, and if the amount due from the related party had exceeded 3 months of the credit period, it was reclassified to other receivables.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<b><u>Rental income</u></b>		
Subsidiaries		
Test-Rite Retail Co., Ltd	\$ -	\$ 339,799
Chung Cin Enterprise Co., Ltd	-	59,712
Others	-	5,115
Entity controlled by key management personnel	-	263
	<u>\$ -</u>	<u>\$ 404,889</u>

The rental income received by the Company from the above-mentioned related parties was collected on monthly basis and market price.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<b><u>Logistic income</u></b>		
Subsidiaries		
Test-Rite Retail Co., Ltd	\$ 133,333	\$ 175,560
Test-Rite Brand Agency Co., Ltd	27,420	29,106
Test-Rite C&B Co., Ltd	20,309	20,089
Others	194	50
	<u>\$ 181,256</u>	<u>\$ 224,805</u>

The logistics income received by the Company from the above-mentioned related parties was based on market price.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<b><u>Purchase</u></b>		
Subsidiaries		
Others	<u>\$ 185,850</u>	<u>\$ 143,980</u>

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<b><u>Commission expense</u></b>		
Subsidiaries		
Test-Rite PRODUCTS CORP.	\$ 166,286	\$ 144,728
Test-Rite International (Germany) GmbH	19,613	22,065
Others	<u>27,776</u>	<u>24,690</u>
	<u>\$ 213,675</u>	<u>\$ 191,483</u>



The commission expense paid by the Company to the above-mentioned related parties was based on mark-up list price and a certain percentage of sales to non-related parties.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Testing and inspection fees</u>		
Subsidiaries		
Test-Rite Business Development	<u>\$ 907,430</u>	<u>\$ 836,685</u>

The testing and inspection fees paid by the Company to the above-mentioned related parties was on behalf of the Company.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Advertisement fees</u>		
Subsidiaries		
Test-Rite Retail Co., Ltd	<u>\$ 13</u>	<u>\$ 675</u>

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>

Accounts receivable to related parties

Subsidiaries		
Test-Rite PRODUCTS CORP.	\$ 2,549,117	\$ 1,603,129
Subsidiary of TR Development	62,719	184,151
Test-Rite Retail Co., Ltd	54,955	77,666
Others	<u>160,792</u>	<u>132,083</u>
	<u>\$ 2,827,583</u>	<u>\$ 1,997,029</u>

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>

Other receivables to related parties

Subsidiaries		
Test-Rite Retail Co., Ltd	\$ 29,575	\$ 24,673
Test-Rite Retailing Co., Ltd	-	6,767
Test-Rite Brand Agency Co., Ltd	7,835	5,061
Test-Rite PRODUCTS CORP.	379,747	804
Others	31,807	9,223
Entity controlled by key management personnel	<u>2</u>	<u>-</u>
	<u>\$ 448,966</u>	<u>\$ 46,528</u>

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Refundable deposits</u>		
Subsidiaries		
X-Cel Relationship Management Co., Ltd.	\$ 125,000	\$ 125,000
Entity controlled by key management personnel	<u>4,072</u>	<u>4,072</u>
	<u>\$ 129,072</u>	<u>\$ 129,072</u>

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Commission payable</u>		
Subsidiaries		
Test-Rite PRODUCTS CORP.	\$ 22,040	\$ 15,953
Test-Rite International (Germany) GmbH	3,725	4,897
Subsidiary of TR Development	1,098	3,361
Others	<u>1,304</u>	<u>1,012</u>
	<u>\$ 28,167</u>	<u>\$ 25,223</u>

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Export fees payable</u>		
Subsidiaries		
Test-Rite Business Development	<u>\$ -</u>	<u>\$ 49,484</u>

Loans to related parties-2019

<u>Borrower</u>	<u>Highest Balance</u> <u>for the Period</u>	<u>Ending Balance</u>	<u>Rate</u>	<u>Interst Income</u>	<u>End of Period Financing Receivables</u>
Others	<u>\$ 700,000</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

Loans to related parties-2018

<u>Borrower</u>	<u>Highest Balance</u> <u>for the Period</u>	<u>Ending Balance</u>	<u>Rate</u>	<u>Interst Income</u>	<u>End of Period Financing Receivables</u>
Others	<u>\$ 700,000</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>

The Company's loans to related parties were at 0% interest rates.

Tenancy agreement

<b>Items</b>	<b>Subsidiaries</b>	<b>2019</b>
Lease liabilities	X-Cel Relationship Management Co., Ltd.	\$ 999,469
	Entity controlled by key management personnel	5,745
	Chairman of the board	<u>1,203</u>
		<u>\$ 1,006,417</u>

Interest expense was summarized as follows:

<b>Subsidiaries</b>	<b>2019</b>
Entity controlled by key management personnel	\$ 15,000
Chairman of the board	<u>18</u>
	<u>\$ 15,018</u>

Sublease agreement

<b>Items</b>	<b>Subsidiaries</b>	<b>2019</b>
Finance lease receivables	Test-Rite Retail Co., Ltd	\$ 951,177
	Chung Cin Enterprise Co., Ltd	208,899
	Test-Rite Brand Agency Co., Ltd	13,194
	Others	<u>5,285</u>
		<u>\$ 1,178,555</u>

Interest income was summarized as follows:

<b>Subsidiaries</b>	<b>2019</b>
Test-Rite Retail Co., Ltd	\$ 14,157
Chung Cin Enterprise Co., Ltd	3,102
Others	<u>260</u>
	<u>\$ 17,519</u>

b. Endorsements or guarantees

Endorsements or guarantees provided by Test-Rite to subsidiaries were summarized in Note 25-2.

As of December 31, 2019, long-term borrowing of \$5,476,075 thousand was guaranteed by the chairman of Test-Rite , Judy Lee.

As of December 31, 2018, long-term borrowing of \$4,110,237 thousand was guaranteed by the chairman of Test-Rite , Judy Lee.

c. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 111,973	\$ 122,753
Post-employment benefits	<u>4,038</u>	<u>12,354</u>
	<u>\$ 116,011</u>	<u>\$ 135,107</u>

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

## 24. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

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

The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value. As of December 31, 2019 and 2018, the carrying amounts approximate their fair value.

- b. Fair value measurements recognized in the balance sheets

#### December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 27,594	\$ -	\$ 27,594

#### December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities	\$ -	\$ 14,843	\$ -	\$ 14,843

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 26).

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.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Equity	\$ 5,304	\$ (12,406)

2) Interest rate risk

The Company was exposed to interest rate risk because 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 amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash flow interest rate risk		
Financial assets	\$ -	\$ -
Financial liabilities	5,956,075	4,110,237

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, 2019 and 2018 would have been increased by \$59,561 thousand and \$41,102 thousand, respectively.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the 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's transactions with significant counterparties require sufficient collateral or other pledged rights as security, 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 transacted with a large number of customers among different industries and geography area. Ongoing credit evaluation is performed based on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

c. Liquidity risk

The Company manages and maintains sufficient working capital to support the operations so there is no liquidity risk arising from shortage of funds at the maturity date for implementing obligation to the contracts and reducing the impact caused by fluctuation of cash flow.

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

	<b>December 31, 2019</b>			
	<b>1 Year</b>	<b>2-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,639,709	\$ -	\$ 60	\$ 3,639,769
Variable interest rate liabilities	-	1,039,843	4,916,232	5,956,075
Lease liabilities	<u>358,040</u>	<u>697,905</u>	<u>-</u>	<u>1,055,945</u>
	<u>\$ 3,997,749</u>	<u>\$ 1,737,748</u>	<u>\$ 4,916,292</u>	<u>\$ 10,651,789</u>
	<b>December 31, 2018</b>			
	<b>1 Year</b>	<b>2-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,482,658	\$ -	\$ 60	\$ 3,482,718
Variable interest rate liabilities	<u>634,398</u>	<u>3,475,839</u>	<u>-</u>	<u>4,110,237</u>
	<u>\$ 4,117,056</u>	<u>\$ 3,475,839</u>	<u>\$ 60</u>	<u>\$ 7,592,955</u>

## 25. COMMITMENTS AND CONTINGENCIES

### Letter of Credit

The Company's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2019 and 2018 were US\$371 thousand and US\$559 thousand, respectively.

Endorsements/guarantees provided: As of December 31, 2019 and 2018, endorsements or guarantees provided by the Company to its business-related legal entities were summarized as follows:

(Unit: In Thousands of Foreign Currencies/New Taiwan Dollars)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Endorsements		
Test-Rite Trading Co., Ltd. and Test-Rite Retailing Co., Ltd.	US\$ 18,000	US\$ 31,000
Test-Rite Products Corp.	US\$ 7,000	US\$ 10,600
Test-Rite Retailing Co., Ltd.	US\$ 15,000	US\$ 10,000
Hola Shanghai Retail & Trading	US\$ -	US\$ 10,000
Test-Rite Business Development and six other subsidiaries	US\$ -	US\$ 16,230
Test-Rite Business Development	US\$ -	US\$ 5,000
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Hola Shanghai Retail & Trading and Test-Rite Business Development	US\$ -	US\$ 5,000
Test-Rite Trading Co., Ltd.	US\$ -	US\$ 2,000
Test-Rite Pte Ltd.	US\$ 2,000	US\$ 1,000
Subsidiary of TR Development	EUR 5,500	EUR 7,000
Test-Rite Germany Import GmbH (Germany) and subsidiary of TR Development	EUR -	EUR 1,000
Test Rite Int'l. (Canada) Ltd.	CAD -	CAD 30
Test-Rite C&B	NT\$ 45,000	NT\$ 45,000
		(Concluded)

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

The information of significant foreign-currency financial assets and liabilities as of December 31, 2019 and 2018 was summarized as follows:

(Unit: In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 170,869	30.135	\$ 5,149,137	\$ 154,407	30.733	\$ 4,745,396
EUR	165	33.6222	5,547	170	35.0598	5,944
CNY	-	-	-	1,943	4.4604	8,666
Investments						
accounted for using the equity method						
USD	98,494	30.135	2,968,130	73,357	30.733	2,254,473
EUR	16,568	33.6222	557,040	19,094	35.0598	669,425
<u>Financial liabilities</u>						
Monetary items						
USD	153,269	30.135	4,618,761	194,773	30.733	5,985,957
EUR	5	33.6222	168	70	35.0598	2,447
CNY	18	4.2991	77	-	-	-

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were \$103,862 thousand and \$195,229 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 Company entities.