

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

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Test-Rite International Co., Ltd. (the “Company”) and its subsidiaries (collectively referred as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 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. We conducted our audit of the consolidated 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is described as follows:

Existence of Sales Revenue

The Group'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 consolidated 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, 2020.

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

1. We understood the internal controls related to the occurrence of sales revenue, evaluated the design of the key controls, determined whether the controls have been implemented and tested the operating effectiveness of the controls.
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.

Other Matter

We have also audited the parent company only financial statements of Test-Rite International Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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 audits resulting in this independent auditors' report are Chi-Ming Hsu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2021

Notice to Readers

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

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 2,517,084	7	\$ 1,462,426	4
Financial assets at fair value through profit or loss - current (Note 7)	428,592	1	620,732	2
Financial assets at amortized cost - current (Notes 4 and 8)	91,954	-	22,937	-
Contract assets - current (Notes 4 and 22)	276,891	1	216,962	1
Notes receivable (Note 9)	9,730	-	51,707	-
Trade receivable (Notes 9 and 27)	5,225,486	14	4,165,566	12
Finance lease receivables	18,318	-	21,544	-
Other receivables	475,347	1	101,865	-
Inventories (Note 10)	6,181,976	16	6,493,270	18
Prepayments	684,073	2	367,967	1
Other current financial assets	315,117	1	41,705	-
Other current assets	36,225	-	34,208	-
Total current assets	16,260,793	43	13,600,889	38
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	103,852	-	54,069	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	5,178	-	9,268	-
Property, plant and equipment (Note 13)	6,295,191	17	6,490,332	18
Right-of-use assets (Note 14)	9,121,775	24	9,606,013	27
Goodwill (Note 15)	2,357,747	6	2,356,155	7
Other intangible assets (Note 16)	185,337	1	220,981	1
Deferred tax assets (Notes 4 and 23)	1,601,447	4	1,545,315	4
Finance lease receivables - non-current	98,290	-	113,350	-
Refundable deposits (Notes 6 and 27)	1,242,311	4	1,253,155	4
Other non-current assets (Notes 4 and 20)	389,777	1	426,423	1
Total non-current assets	21,400,905	57	22,075,061	62
TOTAL	\$ 37,661,698	100	\$ 35,675,950	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 27)	\$ 932,185	3	\$ 1,307,151	4
Short-term bills payable (Notes 17 and 27)	399,848	1	49,978	-
Financial liabilities at fair value through profit or loss - current (Note 7)	42,367	-	321	-
Contract liabilities - current (Notes 4 and 22)	159,505	-	72,066	-
Notes payable	6,044	-	27,571	-
Trade payables (Note 27)	8,623,439	23	6,399,111	18
Other payables (Notes 19 and 27)	2,375,587	6	1,630,551	5
Current tax liabilities (Note 4)	261,780	1	77,628	-
Lease liabilities - current (Notes 14 and 27)	2,011,177	5	1,721,577	5
Advance receipts	547,611	2	541,394	2
Current portion of long-term borrowings (Notes 17 and 27)	45,611	-	85,180	-
Other current liabilities (Note 18)	160,643	-	124,728	-
Total current liabilities	15,565,797	41	12,037,256	34
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 27)	8,331,449	22	9,424,773	26
Deferred tax liabilities (Notes 4 and 23)	14,649	-	18,218	-
Lease liabilities - non-current (Notes 14 and 27)	6,596,694	18	7,348,041	21
Net defined benefit liabilities - non-current (Notes 4 and 20)	159,755	-	154,425	-
Guarantee deposits received	165,925	1	209,262	1
Other non-current liabilities	43,448	-	47,328	-
Total non-current liabilities	15,311,920	41	17,202,047	48
Total liabilities	30,877,717	82	29,239,303	82
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares (Note 21)	5,098,875	14	5,098,875	14
Capital surplus (Note 21)	1,221	-	353,084	1
Retain earnings (Note 21)				
Legal reserve	1,237,689	3	1,229,705	4
Special reserve	317,663	1	241,414	1
Unappropriated earnings	792,520	2	84,233	-
Total retain earnings	2,347,872	6	1,555,352	5
Other equity (Note 21)	(496,556)	(1)	(396,905)	(1)
Treasury shares (Note 21)	(313,256)	(1)	(313,256)	(1)
Total equity attributable to owners of the Company	6,638,156	18	6,297,150	18
NON-CONTROLLING INTERESTS	145,825	-	139,497	-
Total equity	6,783,981	18	6,436,647	18
TOTAL	\$ 37,661,698	100	\$ 35,675,950	100

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 27)	\$ 41,790,703	100	\$ 38,060,813	100
OPERATING COSTS (Notes 10 and 27)	<u>31,129,873</u>	<u>74</u>	<u>27,751,671</u>	<u>73</u>
GROSS PROFIT	<u>10,660,830</u>	<u>26</u>	<u>10,309,142</u>	<u>27</u>
OPERATING EXPENSES				
Selling and marketing expenses	8,466,930	20	8,356,517	22
General and administrative expenses	1,040,005	3	1,097,260	3
Expected credit loss (gain)	<u>5,022</u>	<u>-</u>	<u>(1,257)</u>	<u>-</u>
Total operating expenses	<u>9,511,957</u>	<u>23</u>	<u>9,452,520</u>	<u>25</u>
PROFIT FROM OPERATIONS	<u>1,148,873</u>	<u>3</u>	<u>856,622</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	38,009	-	28,902	-
Other income	193,740	1	161,263	1
Gain on sale of investments	16,932	-	14,284	-
Foreign exchange gains	158,647	-	124,507	-
Net gain on financial instruments at fair value through profit or loss	191,470	-	34,566	-
Interest expense (Note 27)	(342,968)	(1)	(491,810)	(1)
Other expenses (Note 18)	(371,328)	(1)	(366,037)	(1)
Loss on disposal of property, plant and equipment	(14,815)	-	(34,809)	-
Impairment loss (Note 13)	<u>(59,922)</u>	<u>-</u>	<u>(236,139)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(190,235)</u>	<u>(1)</u>	<u>(765,273)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	958,638	2	91,349	-
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 23)	<u>(151,769)</u>	<u>-</u>	<u>20,151</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>806,869</u>	<u>2</u>	<u>111,500</u>	<u>-</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(10,240)	-	(33,572)	-

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (2,562)	-	\$ (3,313)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(86,028)	-	(152,262)	-
Other comprehensive loss for the year, net of income tax	(98,830)	-	(189,147)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 708,039</u>	<u>2</u>	<u>\$ (77,647)</u>	<u>-</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 791,615	2	\$ 100,355	-
Non-controlling interests	<u>15,254</u>	<u>-</u>	<u>11,145</u>	<u>-</u>
	<u>\$ 806,869</u>	<u>2</u>	<u>\$ 111,500</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 692,869	2	\$ (88,775)	-
Non-controlling interests	<u>15,170</u>	<u>-</u>	<u>11,128</u>	<u>-</u>
	<u>\$ 708,039</u>	<u>2</u>	<u>\$ (77,647)</u>	<u>-</u>
EARNINGS PER SHARE (Notes 4 and 24)				
Basic	<u>\$ 1.60</u>		<u>\$ 0.20</u>	
Diluted	<u>\$ 1.60</u>		<u>\$ 0.20</u>	

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

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Share (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	509,888	\$ 5,098,875	\$ 647,962	\$ 1,189,056	\$ 180,438	\$ 462,938	\$ (214,883)	\$ (26,531)	\$ -	\$ 7,337,855	\$ 75,629	\$ 7,413,484
Effect of retrospective application (Note 3)	-	-	-	-	-	13,125	-	-	-	13,125	604	13,729
ADJUSTED BALANCE AT JANUARY 1, 2019	509,888	5,098,875	647,962	1,189,056	180,438	476,063	(214,883)	(26,531)	-	7,350,980	76,233	7,427,213
Appropriation of 2018 earnings (Note 21)												
Legal reserve	-	-	-	40,649	-	(40,649)	-	-	-	-	-	-
Special reserve	-	-	-	-	60,976	(60,976)	-	-	-	-	-	-
Cash dividends (Note 21)	-	-	-	-	-	(356,921)	-	-	-	(356,921)	-	(356,921)
Cash dividends from capital surplus	-	-	(295,735)	-	-	-	-	-	-	(295,735)	(13,938)	(309,673)
Net profit for the year ended December 31, 2019	-	-	-	-	-	100,355	-	-	-	100,355	11,145	111,500
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(33,639)	(152,178)	(3,313)	-	(189,130)	(17)	(189,147)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	66,716	(152,178)	(3,313)	-	(88,775)	11,128	(77,647)
Buy-back of ordinary shares (Note 21)	-	-	-	-	-	-	-	-	(313,256)	(313,256)	-	(313,256)
Changes in percentage of ownership interests in subsidiaries	-	-	857	-	-	-	-	-	-	857	66,074	66,931
BALANCE AT DECEMBER 31, 2019	509,888	5,098,875	353,084	1,229,705	241,414	84,233	(367,061)	(29,844)	(313,256)	6,297,150	139,497	6,436,647
Appropriation of 2019 earnings (Note 21)												
Legal reserve	-	-	-	7,984	-	(7,984)	-	-	-	-	-	-
Special reserve	-	-	-	-	76,249	(76,249)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	-	(351,863)	-	-	-	-	-	-	(351,863)	(18,957)	(370,820)
Net profit for the year ended December 31, 2020	-	-	-	-	-	791,615	-	-	-	791,615	15,254	806,869
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(10,156)	(86,028)	(2,562)	-	(98,746)	(84)	(98,830)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	781,459	(86,028)	(2,562)	-	692,869	15,170	708,039
Increase of non-controlling interests (Note 25)	-	-	-	-	-	-	-	-	-	-	10,115	10,115
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	11,061	-	(11,061)	-	-	-	-
BALANCE AT DECEMBER 31, 2020	<u>509,888</u>	<u>\$ 5,098,875</u>	<u>\$ 1,221</u>	<u>\$ 1,237,689</u>	<u>\$ 317,663</u>	<u>\$ 792,520</u>	<u>\$ (453,089)</u>	<u>\$ (43,467)</u>	<u>\$ (313,256)</u>	<u>\$ 6,638,156</u>	<u>\$ 145,825</u>	<u>\$ 6,783,981</u>

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 958,638	\$ 91,349
Adjustments for:		
Depreciation expense	2,407,598	2,558,398
Amortization expense	113,790	122,773
Expected credit loss (gain) recognized on trade receivables	5,022	(1,257)
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(191,470)	(34,566)
Interest expense	342,968	491,810
Interest income	(38,009)	(28,902)
Compensation costs of share-based payment	-	776
Loss on disposal and impairment of property, plant and equipment	14,815	34,809
Gain on disposal of investments	(16,932)	(14,284)
Impairment loss	59,922	236,139
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	442,588	(284,447)
Contract assets	(59,929)	(12,759)
Notes receivable	41,977	13,218
Trade receivables	(1,064,953)	321,111
Other receivables	(372,982)	25,589
Inventories	231,557	(713,668)
Prepayments	(316,106)	(117,933)
Other current assets	(2,017)	2,401
Other financial assets	(266,099)	(1)
Other operating assets	(114,534)	(14,969)
Contract liabilities	87,439	6,250
Notes payable	(21,527)	(12,524)
Trade payables	2,224,328	281,001
Other payables	757,720	37,667
Advance receipts	6,217	(55,621)
Other current liabilities	35,915	(26,809)
Other operating liabilities	(9,061)	(23,957)
Cash generated from operations	5,256,875	2,881,594
Interest received	37,509	28,799
Interest paid	(347,105)	(498,608)
Income tax paid	(34,631)	(169,665)
Net cash generated from operating activities	<u>4,912,648</u>	<u>2,242,120</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(89,348)	(155,527)
Proceeds from sale of financial assets at amortized cost	24,291	198,123

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Purchase of financial assets at fair value through other comprehensive income	(136,061)	(8,567)
Proceeds from sale of financial assets at fair value through other comprehensive income	83,714	-
Payments for property, plant and equipment	(410,814)	(1,102,277)
Proceeds from disposal of property, plant and equipment	7,214	2,005
Increase in refundable deposits	-	(260,085)
Decrease in refundable deposits	10,844	-
Payments for intangible assets	(19,665)	(29,972)
Decrease in finance lease receivables	18,286	15,777
Other non-current assets	<u>-</u>	<u>(109,730)</u>
Net cash used in investing activities	<u>(511,539)</u>	<u>(1,450,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(374,966)	(839,632)
Proceeds from (repayments of) short-term bills payable	349,870	(49,988)
Proceeds from long-term borrowings	20,630,512	19,660,846
Repayments of long-term borrowings	(21,752,972)	(17,318,984)
Decrease in guarantee deposits received	(43,337)	(16,265)
Dividends paid	(351,863)	(652,656)
Repayment of the principal portion of lease liabilities	(1,753,199)	(1,790,268)
Payments for buy-back of ordinary shares	-	(313,256)
Changes in non-controlling interests	<u>(8,842)</u>	<u>52,217</u>
Net cash used in financing activities	<u>(3,304,797)</u>	<u>(1,267,986)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(41,654)</u>	<u>(57,117)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,054,658	(533,236)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,462,426</u>	<u>1,995,662</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,517,084</u>	<u>\$ 1,462,426</u>

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

(Concluded)

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by Test-Rite’s board of directors on March 25, 2021.

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

- a. Initial application of the amendments to 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 IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

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

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

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Business Combinations

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

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

Foreign Currencies

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at

the rates prevailing at the date when the fair value is 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; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

In 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 the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

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

Property, Plant and Equipment

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

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

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount,

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

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization 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.

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

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

Impairment of Property, Plant and Equipment, Right-of-Use Asset, Intangible Assets Other Than Goodwill

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

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

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

immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets and contract assets

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

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

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3) Derecognition of financial assets

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

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

b. Financial liabilities

1) Subsequent measurement

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

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

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

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

Provisions

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

Revenue Recognition

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

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of furniture and various home appliances. Sales of

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

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

b. Revenue from the rendering of services

Service income is recognized when services are provided.

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

c. Construction contract revenue

Revenue from the construction in progress is recognized with reference to the stage of completion of the contract. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations.

Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

Leases

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

a. The Group as lessor

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

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

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

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of

a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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

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

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

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 used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of operating expenses, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

b. Deferred tax

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

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

end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 50,245	\$ 57,211
Checking accounts and demand deposits	2,464,957	1,401,200
Cash equivalents	<u>1,882</u>	<u>4,015</u>
	<u>\$ 2,517,084</u>	<u>\$ 1,462,426</u>

The time deposits with original maturities of more than 3 months were \$97,132 thousand and \$32,205 thousand as of December 31, 2020 and 2019, respectively, and reclassified to financial assets at amortized cost (see Note 8).

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

	December 31	
	2020	2019
Time deposits	<u>\$ 431,052</u>	<u>\$ 437,502</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL - current		
Derivative financial assets		
Foreign exchange forward contracts	\$ 256,796	\$ 30,138
Non-derivative financial assets		
Equity securities listed in open market	4,666	5,799
Mutual funds	152,488	147,374
Corporate bonds	14,642	13,186
Financial products	-	424,235
	<u>\$ 428,592</u>	<u>\$ 620,732</u>
Financial liabilities mandatorily classified as at FVTPL - current		
Derivative financial liabilities		
Foreign exchange forward contracts	\$ 42,367	\$ 321
	<u>\$ 42,367</u>	<u>\$ 321</u>

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

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Forward exchange contracts - sell	US\$/NT\$	2021.01.04-2021.06.24	US\$718,800/NT\$20,490,832
Forward exchange contracts - buy	US\$/NT\$	2021.01.04-2021.07.02	US\$800,000/NT\$22,805,600
Forward exchange contracts - sell	EUR/US\$	2021.02.26	EUR100/US\$121
Forward exchange contracts - buy	US\$/EUR	2021.02.22-2021.09.30	US\$31,032/EUR26,399
Forward exchange contracts - sell	US\$/EUR	2021.02.01-2021.10.12	US\$648/EUR547
<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
Forward exchange contracts - buy	EUR/US\$	2020.01.14-2020.06.19	US\$17,933/EUR15,730
Forward exchange contracts - sell	US\$/EUR	2020.01.17-2020.09.22	US\$780/EUR683
Forward exchange contracts - sell	AUD/EUR	2020.01.13	AUD45/EUR28

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Current		
Time deposits with original maturity of more than 3 months (Note 6)	\$ <u>91,954</u>	\$ <u>22,937</u>
Non-current		
Time deposits with original maturity of more than 3 months (Note 6)	\$ <u>5,178</u>	\$ <u>9,268</u>

As of December 31, 2020 and 2019, financial assets at amortized cost of \$7,286 thousand and \$23,944 thousand, respectively, were pledged as collateral for borrowings and for retail channels (see Note 29).

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 9,730	\$ 51,707
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>9,730</u>	<u>51,707</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	4,921,594	4,032,228
Less: Allowance for impairment loss	<u>(8,636)</u>	<u>(5,853)</u>
	4,912,958	4,026,375
Financial assets at FVTOCI	<u>312,528</u>	<u>139,191</u>
	<u>5,225,486</u>	<u>4,165,566</u>
	<u>\$ 5,235,216</u>	<u>\$ 4,217,273</u>

1) At amortized cost

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

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

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

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

2) At FVTOCI

For trade receivables from some of the Group's main customers, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

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

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 365 Days Past Due	Over 365 Days Past Due	Total
Expected credit loss rate	-	-	-	0% - 100%	95%-100%	
Gross carrying amount	\$ 5,084,093	\$ 121,601	\$ 9,924	\$ 25,521	\$ 2,713	\$ 5,243,852
Loss allowance (Lifetime ECLs)	-	-	-	(5,923)	(2,713)	(8,636)
Amortized cost	<u>\$ 5,084,093</u>	<u>\$ 121,601</u>	<u>\$ 9,924</u>	<u>\$ 19,598</u>	<u>\$ -</u>	<u>\$ 5,235,216</u>

December 31, 2019

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 365 Days Past Due	Over 365 Days Past Due	Total
Expected credit loss rate	-	-	-	-	95%-100%	
Gross carrying amount	\$ 3,964,527	\$ 123,925	\$ 44,628	\$ 83,553	\$ 6,493	\$ 4,223,126
Loss allowance (Lifetime ECLs)	-	-	-	-	(5,853)	(5,853)
Amortized cost	<u>\$ 3,964,527</u>	<u>\$ 123,925</u>	<u>\$ 44,628</u>	<u>\$ 83,553</u>	<u>\$ 640</u>	<u>\$ 4,217,273</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 5,853	\$ 43,704
Add: Net remeasurement of loss allowance	5,022	-
Less: Written off	(27)	(36,497)
Less: Reversal of loss allowance	-	(1,257)
Less: reclassification	(2,223)	-
Foreign exchange gains and losses	<u>(11)</u>	<u>(97)</u>
Balance at December 31	<u>\$ 8,636</u>	<u>\$ 5,853</u>

The trade receivables factoring are summarized as follows:

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

Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
2020									
Standard Chartered	\$ -	\$ 3,002,767 (Note 1)	\$ 3,002,767 (Note 2)	\$ -	\$ -	-	\$ -	US\$40,000,000	-
Taishin International Bank	\$ -	\$ 750,601 (Note 1)	\$ 750,601 (Note 2)	\$ -	\$ -	-	\$ -	US\$15,000,000	-
2019									
Standard Chartered	\$ 1,260 (Note 3)	\$ 2,541,087 (Note 4)	\$ 2,542,347 (Note 5)	\$ -	\$ -	-	\$ -	US\$40,200,000	-
KGI Bank	\$ 1,259 (Note 3)	\$ -	\$ 1,259 (Note 3)	\$ -	\$ -	-	\$ -	-	-
Taishin International Bank	\$ -	\$ 155,170 (Note 4)	\$ 155,170 (Note 5)	\$ -	\$ -	-	\$ -	US\$10,000,000	-

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\$105,334,378; US\$26,330,399; shown respectively from top to bottom of column.

Note 2: US\$105,334,378; US\$26,330,399; shown respectively from top to bottom of column.

Note 3: US\$41,809; US\$41,785; shown respectively from top to bottom of column.

Note 4: US\$84,323,447; US\$5,149,171; shown respectively from top to bottom of column.

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

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

10. INVENTORIES

	December 31	
	2020	2019
Merchandise - retail	\$ 3,461,755	\$ 3,685,068
Merchandise - trade	2,355,957	2,359,539
Construction land	239,029	316,836
Buildings and land held for sale	<u>125,235</u>	<u>131,827</u>
	<u>\$ 6,181,976</u>	<u>\$ 6,493,270</u>

The cost of inventories which related to merchandise recognized as operating costs for the years ended December 31, 2020 and 2019 was \$28,413,155 thousand and \$25,679,263 thousand, respectively.

The operating costs include inventory write-downs in the amount \$105,274 thousand and a loss on physical inventory count in the amount of \$5,534 thousand for the year ended December 31, 2020. The operating costs include inventory write-downs in the amount \$18,150 thousand and a loss on physical inventory count in the amount of \$44,654 thousand for the year ended December 31, 2019.

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

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

Construction land and buildings and land held for sale include the balance of inventories of Chung Cin Enterprise. Construction land pledged as collateral for bank borrowings is set out in Notes 17 and 29 as of December 31, 2019 and 2020.

11. FINANCIAL ASSETS AT FVTOCI

Investments in equity instruments

	December 31	
	2020	2019
<u>Non-current</u>		
Domestic investments - listed shares	\$ 47,925	\$ -
Domestic investments - unlisted shares	47,052	45,427
Foreign investments - unlisted shares	<u>8,875</u>	<u>8,642</u>
	<u>\$ 103,852</u>	<u>\$ 54,069</u>

Investments in equity instruments at FVTOCI

	December 31	
	2020	2019
<u>Non-current</u>		
Domestic investments - listed shares		
Largan Precision Company Limited	\$ 47,925	\$ -
Domestic investments - unlisted shares		
Grand Cathay Venture Capital II Co., Ltd.	40,855	42,701
Taiwan Finance Corporation	2,822	2,726
Unipapa Inc.	3,375	-
Foreign investments - unlisted shares		
Ningbo Anlian Tejie Supply China Management Co., Ltd.	8,875	8,642
	<u>\$ 103,852</u>	<u>\$ 54,069</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

12. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Subsidiaries	Main Businesses	% of Ownership December 31		Remark
			2020	2019	
Test-Rite International Co., Ltd.	Fortune Miles Trading Inc.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Products (Hong Kong) Limited.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l. (Australia) Pty. Limited.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Int'l. (Canada) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite (UK) Ltd.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Development GmbH	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Upmaster International Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd. and Upmaster Co., Ltd.	Test-Rite International (U.S.) Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Test-Rite Viet Nam Co., Ltd.	Importation and exportation	-	95.00	Note 1
Test-Rite International Co., Ltd.	Lucky Rite Company Ltd.	Tally packaging and property leasing	100.00	-	Note 2
Test-Rite International Co., Ltd.	Lih Chiou Co., Ltd.	Investment holding company	100.00	100.00	
Test-Rite International Co., Ltd.	Lih Teh International Co., Ltd.	Logistics services	100.00	100.00	
Test-Rite International Co., Ltd.	B&S Link Co., Ltd.	Providing information software and electronic information	100.00	100.00	
Test-Rite International Co., Ltd.	Fusion International Distribution, Inc.	Importation and exportation	100.00	100.00	
Test-Rite International Co., Ltd.	Chung Cin Enterprise Co., Ltd.	Authorized builder to build dwelling, rental and sale of building	91.67	91.67	
Test-Rite International Co., Ltd. and Lih Chiou Co., Ltd.	Test-Rite Retail Co., Ltd.	Sale of house decoration hardware and construction materials	100.00	100.00	
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	U-ME Enterprise Co., Ltd.	Cleaning service and land scape design	60.00	60.00	
Chung Cin Enterprise Co., Ltd.	Test-On Lighting Technology Co., Ltd.	Sale of electrical appliances	51.00	51.00	Note 3
Chung Cin Enterprise Co., Ltd.	Test Cin International Co., Ltd.	Sale of construction material	51.00	51.00	
Chung Cin Enterprise Co., Ltd.	Chung Cin Lohas Property Management Co., Ltd.	Condominium Buildings Management Service	100.00	-	Note 4
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	
Test-Rite Retail	Hola Homefurnishings Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Test-Rite Retail	Home Intelligence Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	

Investor	Subsidiaries	Main Businesses	% of Ownership December 31		Remark
			2020	2019	
Test-Rite Retail	Test Rite C&B Co., Ltd.	Sale of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
B&S Link Co., Ltd.	Home Intelligence Co., Ltd.	Other information provision services	100.00	100.00	
International Art Enterprise Co., Ltd.	Chuan Shuai International Co., Ltd.	Importation and exportation	51.00	-	Note 5

Note 1: Test Rite Viet Nam Co., Ltd. had completed the liquidation in June 2020.

Note 2: Lucky Rite Company Ltd. was established in January 2020.

Note 3: The original name was Hand-on Lighting Co., Ltd and was renamed in October 2020.

Note 4: Chung Cin Lohas Property Management Co., Ltd. was established in October 2020.

Note 5: Chuan Shuai International Co., Ltd. was established in August 2020.

All financial statements of subsidiaries included in the Group's consolidated financial statements have been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Land	\$ 647,804	\$ 545,512
Buildings and improvements	3,798,687	3,307,424
Machinery and equipment	151,920	23,157
Transportation equipment	8,899	9,193
Furniture, fixtures and office equipment	178,735	70,004
Leasehold improvements	1,469,930	1,649,249
Molds and tools	13,844	17,863
Other equipment	11,064	120,147
Prepayments for property, plant and equipment	<u>14,308</u>	<u>747,783</u>
	<u>\$ 6,295,191</u>	<u>\$ 6,490,332</u>

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
Cost										
Balance at January 1, 2019	\$ 545,512	\$ 4,272,946	\$ 28,114	\$ 58,786	\$ 814,298	\$ 8,100,021	\$ 47,871	\$ 804,914	\$ 33,014	\$14,705,476
Additions	-	233	7,671	2,354	7,649	5,924	5,208	1,956	1,049,912	1,080,907
Disposals	-	(38,923)	(27,480)	(11,941)	(151,660)	(885,188)	(915)	(90,883)	-	(1,206,990)
Reclassified	-	(2,331)	63,474	201	14,399	(944,513)	1,410	21,874	(316,165)	(1,161,651)
Effect of foreign currency exchange differences	-	(62,641)	(1,958)	(1,489)	(2,144)	(6,813)	(527)	(2,627)	(18,978)	(97,177)
Balance at December 31, 2019	<u>\$ 545,512</u>	<u>\$ 4,169,284</u>	<u>\$ 69,821</u>	<u>\$ 47,911</u>	<u>\$ 682,542</u>	<u>\$ 6,269,431</u>	<u>\$ 53,047</u>	<u>\$ 735,234</u>	<u>\$ 747,783</u>	<u>\$13,320,565</u>
Accumulated depreciation										
Balance at January 1, 2019	\$ -	\$ 776,615	\$ 22,864	\$ 45,832	\$ 696,840	\$ 5,588,811	\$ 28,575	\$ 659,427	\$ -	\$ 7,818,964
Depreciation expense	-	125,883	979	5,747	42,623	303,969	8,256	57,418	-	544,875
Disposals	-	(38,923)	(15,443)	(10,768)	(138,268)	(855,746)	(899)	(110,129)	-	(1,170,176)
Reclassified	-	-	22,294	(1,289)	32	(589,266)	(394)	(15,498)	-	(584,121)
Effect of foreign currency exchange differences	-	(1,715)	(61)	(1,245)	(868)	6,864	(354)	(679)	-	1,942
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 861,860</u>	<u>\$ 30,633</u>	<u>\$ 38,277</u>	<u>\$ 600,359</u>	<u>\$ 4,454,632</u>	<u>\$ 35,184</u>	<u>\$ 590,539</u>	<u>\$ -</u>	<u>\$ 6,611,484</u>

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
<u>Accumulated impairment</u>										
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment losses recognized	-	-	17,306	476	13,147	178,711	-	26,499	-	236,139
Effect of foreign currency exchange differences	-	-	(1,275)	(35)	(968)	(13,161)	-	(1,951)	-	(17,390)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,031</u>	<u>\$ 441</u>	<u>\$ 12,179</u>	<u>\$ 165,550</u>	<u>\$ -</u>	<u>\$ 24,548</u>	<u>\$ -</u>	<u>\$ 218,749</u>
Carrying amounts at December 31, 2019	<u>\$ 545,512</u>	<u>\$ 3,307,424</u>	<u>\$ 23,157</u>	<u>\$ 9,193</u>	<u>\$ 70,004</u>	<u>\$ 1,649,249</u>	<u>\$ 17,863</u>	<u>\$ 120,147</u>	<u>\$ 747,783</u>	<u>\$ 6,490,332</u>
<u>Cost</u>										
Balance at January 1, 2020	\$ 545,512	\$ 4,169,284	\$ 69,821	\$ 47,911	\$ 682,542	\$ 6,269,431	\$ 53,047	\$ 735,234	\$ 747,783	\$13,320,565
Additions	-	84,819	27,146	2,286	59,958	80,501	2,978	1,641	142,938	402,267
Disposals	-	(297)	(9,799)	(13,572)	(62,488)	(335,906)	(605)	(3,656)	-	(426,323)
Reclassified	106,190	551,760	144,922	2,168	420,250	387,414	1,364	(670,078)	(863,396)	80,594
Effect of foreign currency exchange differences	(3,898)	(21,145)	(7,995)	(55)	(5,922)	(564)	(1,332)	247	(13,017)	(53,681)
Balance at December 31, 2020	<u>\$ 647,804</u>	<u>\$ 4,784,421</u>	<u>\$ 224,095</u>	<u>\$ 38,738</u>	<u>\$ 1,094,340</u>	<u>\$ 6,400,876</u>	<u>\$ 55,452</u>	<u>\$ 63,388</u>	<u>\$ 14,308</u>	<u>\$13,323,422</u>
<u>Accumulated depreciation</u>										
Balance at January 1, 2020	\$ -	\$ 861,860	\$ 30,633	\$ 38,277	\$ 600,359	\$ 4,454,632	\$ 35,184	\$ 590,539	\$ -	\$ 6,611,484
Depreciation expense	-	150,716	21,295	3,627	73,880	256,451	8,014	4,053	-	518,036
Disposals	-	(297)	(6,555)	(12,184)	(61,137)	(319,529)	(605)	(3,607)	-	(403,914)
Reclassified	-	(25,993)	28,764	165	306,120	479,799	-	(538,862)	-	249,993
Effect of foreign currency exchange differences	-	(552)	(1,962)	(46)	(3,617)	(329)	(985)	201	-	(7,290)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 985,734</u>	<u>\$ 72,175</u>	<u>\$ 29,839</u>	<u>\$ 915,605</u>	<u>\$ 4,871,024</u>	<u>\$ 41,608</u>	<u>\$ 52,324</u>	<u>\$ -</u>	<u>\$ 6,968,309</u>
<u>Accumulated impairment</u>										
Balance at January 1, 2020	\$ -	\$ -	\$ 16,031	\$ 441	\$ 12,179	\$ 165,550	\$ -	\$ 24,548	\$ -	\$ 218,749
Impairment losses recognized	-	-	-	-	-	59,922	-	-	-	59,922
Disposals	-	-	-	(380)	-	-	-	-	-	(380)
Reclassified	-	-	(16,031)	(61)	(12,179)	(165,550)	-	(24,548)	-	(218,369)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,922</u>
Carrying amounts at December 31, 2020	<u>\$ 647,804</u>	<u>\$ 3,798,687</u>	<u>\$ 151,920</u>	<u>\$ 8,899</u>	<u>\$ 178,735</u>	<u>\$ 1,469,930</u>	<u>\$ 13,844</u>	<u>\$ 11,064</u>	<u>\$ 14,308</u>	<u>\$ 6,295,191</u>

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

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

In January 2019, Test-Rite International (U.S.) Co., Ltd. signed a purchase agreement with non-related parties to acquire land for building a warehouse. The amount of the acquisition was US\$22,521 thousand. The purchase price was determined based on a professional appraisal report and land was all transferred.

In 2019, Hola Shanghai Retail and Trading Ltd., Hola Beijing Retailing and Trading Ltd. and Hola Shanghai Living Art Retailing Co., Ltd. had closed down a total of 13 retail stores, and the Group recognized an impairment loss and reorganization expense amounting to RMB82,868 thousand (approximately \$378,126 thousand)

In 2019, the Group recognized an impairment loss amounting to \$59,922 thousand due to continuous operating loss of some of the retail stores of Test Rite C&B Co., Ltd.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Notes 17 and 29.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2020	December 31, 2019
<u>Carrying amounts</u>		
Land	\$ 160,330	\$ -
Buildings and improvements	8,943,843	9,595,803
Others	<u>17,602</u>	<u>10,210</u>
	<u>\$ 9,121,775</u>	<u>\$ 9,606,013</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 969,703</u>	<u>\$ 382,059</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,485	\$ -
Buildings and improvements	1,874,383	2,007,135
Others	<u>12,694</u>	<u>6,388</u>
	<u>\$ 1,889,562</u>	<u>\$ 2,013,523</u>

b. Lease liabilities

	December 31, 2020	December 31, 2019
<u>Carrying amounts</u>		
Current	<u>\$ 2,011,177</u>	<u>\$ 1,721,577</u>
Non-current	<u>\$ 6,596,694</u>	<u>\$ 7,348,041</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Buildings and improvements	1.30%-5.50%	1.30%-5.50%
Others	1.30%-4.05%	1.30%-4.05%

c. Material leasing activities and terms

Because of the market conditions severely affected by COVID-19 in 2020, the Group negotiated with the lessor for rent concessions for office buildings lease. The lessor agreed to provide rent reduction for the year ended December 31, 2020. The Group recognized in profit or loss the impact of rent concessions of \$13,989 thousand (recorded as credit to rent expenses) for the year ended December 31, 2020.

d. Other lease information

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

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

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

15. GOODWILL

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 2,356,155	\$ 2,361,198
Effect of foreign currency exchange differences	<u>1,592</u>	<u>(5,043)</u>
Balance at December 31	<u>\$ 2,357,747</u>	<u>\$ 2,356,155</u>

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

	December 31	
	2020	2019
Retail	\$ 2,092,938	\$ 2,092,938
Trading	195,016	193,424
Others	<u>69,793</u>	<u>69,793</u>
	<u>\$ 2,357,747</u>	<u>\$ 2,356,155</u>

For the years ended December 31, 2020 and 2019, the Group evaluated the recoverable amounts of the above three cash-generating units, and the recoverable amounts were determined based on the value in use. The calculation of value in use was based on the cash flow projections in the financial budgets approved by management covering a 5-year period, and the growth rate used in preparing the budgets was based on the prediction of related industries.

16. OTHER INTANGIBLE ASSETS

	December 31	
	2020	2019
Computer software	\$ 137,135	\$ 166,885
Others	<u>48,202</u>	<u>54,096</u>
	<u>\$ 185,337</u>	<u>\$ 220,981</u>

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 484,855	\$ 98,931	\$ 583,786
Additions	29,972	-	29,972
Disposals	(91)	-	(91)
Reclassified	(9,094)	(2,914)	(12,008)
Foreign exchange translation differences	<u>(521)</u>	<u>(3,897)</u>	<u>(4,418)</u>
Balance at December 31, 2019	<u>\$ 505,121</u>	<u>\$ 92,120</u>	<u>\$ 597,241</u>

Accumulated amortization and impairment

Balance at January 1, 2019	\$ 321,787	\$ 32,014	\$ 353,801
Amortization expense	109,893	12,880	122,773
Disposals	(91)	-	(91)
Reclassified	(93,029)	(5,387)	(98,416)
Foreign exchange translation differences	<u>(324)</u>	<u>(1,483)</u>	<u>(1,807)</u>
Balance at December 31, 2019	<u>\$ 338,236</u>	<u>\$ 38,024</u>	<u>\$ 376,260</u>
Carrying amounts at December 31, 2019	<u>\$ 166,885</u>	<u>\$ 54,096</u>	<u>\$ 220,981</u>

Cost

Balance at January 1, 2020	\$ 505,121	\$ 92,120	\$ 597,241
Additions	19,410	255	19,665
Disposals	(8,541)	-	(8,541)
Reclassified	8,117	31	8,148
Foreign exchange translation differences	<u>824</u>	<u>2,187</u>	<u>3,011</u>
Balance at December 31, 2020	<u>\$ 524,931</u>	<u>\$ 94,593</u>	<u>\$ 619,524</u>

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 338,236	\$ 38,024	\$ 376,260
Amortization expense	50,395	7,265	57,660
Disposals	(8,541)	-	(8,541)
Reclassified	7,205	31	7,236
Foreign exchange translation differences	<u>501</u>	<u>1,071</u>	<u>1,572</u>
Balance at December 31, 2020	<u>\$ 387,796</u>	<u>\$ 46,391</u>	<u>\$ 434,187</u>
Carrying amounts at December 31, 2020	<u>\$ 137,135</u>	<u>\$ 48,202</u>	<u>\$ 185,337</u>

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

Computer software	3-5 years
Others	7-15 years

17. BORROWINGS

	December 31	
	2020	2019
Short-term borrowings	\$ 932,185	\$ 1,307,151
Short-term bills payable	\$ 399,848	\$ 49,978
Current portion of long-term borrowings	\$ 45,611	\$ 85,180
Long-term borrowings	\$ 8,331,449	\$ 9,424,773

a. Short-term borrowings as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 932,185	\$ 1,307,151

The range of weighted average effective interest rate on bank loans was 0.9%-1.845% and 0.94%-3.25% per annum as of December 31, 2020 and 2019, respectively.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	\$ 400,000	\$ 50,000
Less: Unamortized discounts on bills payable	(152)	(22)
	\$ 399,848	\$ 49,978

c. Long-term borrowings

	December 31		
		2020	2019
	Interest Rate	Amount	Amount
First Commercial Bank's syndicated loan			
Revolving line of credit borrowings from June 17, 2019 to June 17, 2024.	1.2606%-1.8890%	\$ 1,741,182	\$ 4,573,375
Authorized credit line of \$6,800,000 thousand. Principal due on June 17, 2024.			
First Commercial Bank			
Line of credit borrowings from September 27, 2019 to September 27, 2022.	1.35%	240,000	320,000
Authorized credit line of \$500,000 thousand. Principal due in installments according to the bank's contracts.			

(Continued)

	December 31		
	2020		2019
	Interest Rate	Amount	Amount
Secured borrowings from May 15, 2019 to May 15, 2023. Authorized credit line of \$100,000 thousand. Principal due on May 15, 2023. The construction land of Chung Cin Enterprise Co., Ltd. were pledged as collateral (see Notes 10 and 29).	1.5000%	\$ 100,000	\$ 104,000
Chang Hwa Bank			
Line of credit borrowings from September 26, 2019 to September 26, 2022. Authorized credit line of \$500,000 thousand. Principal due on September 26, 2022.	1.3000%	500,000	500,000
Revolving line of credit borrowings from December 23, 2020 to December 23 2022. Authorized credit line of \$220,000 thousand. Principal due on December 23 2022.	1.2800%	220,000	-
Taishin International Bank			
Revolving line of credit borrowings from June 26, 2019 to June 26, 2021. Authorized credit line of \$300,000 thousand. On January 21, 2020, the Company paid the principal in full in advance.	-	-	300,000
Revolving line of credit borrowings from June 26, 2019 to June 26, 2021. Authorized credit line of \$300,000 thousand. Principal due on June 26, 2021.	1.3500%	300,000	-
KGI Bank			
Revolving line of credit borrowings from September 25, 2019 to September 25, 2021. Authorized credit line of US\$8,000 thousand. On February 13, 2020, the Company paid the principal in full in advance.	-	-	241,080
Revolving line of credit borrowings from December 2, 2019 to September 2, 2022. Authorized credit line of \$100,000 thousand. Principal due on September 2, 2022.	1.0866%	80,000	80,000
Revolving line of credit borrowings from September 25, 2019 to September 25, 2021. Authorized credit line of \$300,000 thousand. On January 3, 2020, the Company paid the principal in full in advance.	-	-	300,000

(Continued)

	December 31		
	2020		2019
	Interest Rate	Amount	Amount
Revolving line of credit borrowings from September 24, 2020 to September 24, 2022. Authorized credit line of \$500,000 thousand. Principal due on September 24, 2022.	0.9864%~ 0.9866%	\$ 500,000	\$ -
Taiwan Business Bank			
Revolving line of credit borrowings from September 9, 2020 to September 9, 2023. Authorized credit line of \$300,000 thousand. Principal due on September 9, 2023.	1.3300%	300,000	-
Revolving line of credit borrowings from June 24, 2019 to June 24, 2022. Authorized credit line of \$600,000 thousand. Principal due in installments according to the bank's contracts.	1.4080%	120,000	500,000
Revolving line of credit borrowings from December 18, 2020 to December 18, 2023. Authorized credit line of \$100,000 thousand. Principal due on December 18, 2023.	1.4080%	100,000	-
Export-Import Bank of the Republic of China			
Line of credit borrowings from May 16, 2019 to May 16, 2025. Authorized credit line of \$680,000 thousand. Principal due in installments according to the bank's contracts.	0.8656%	660,000	480,000
Line of credit borrowings from December 6, 2019 to December 6, 2025. Authorized credit line of \$72,000 thousand. Principal due in installments according to the bank's contracts.	0.6380%	72,000	72,000
Line of credit borrowings from May 5, 2020 to May 5, 2026. Authorized credit line of \$92,000 thousand. Principal due in installments according to the bank's contracts.	0.8128%	92,000	-
Line of credit borrowings from May 5, 2020 to May 5, 2026. Authorized credit line of \$58,000 thousand. Principal due in installments according to the bank's contracts.	0.8128%	58,000	-
Jih Sun International Bank			
Revolving line of credit borrowings from June 11, 2020 to June 11, 2023. Authorized credit line of \$300,000 thousand. Principal due on June 11, 2023.	1.3000%	150,000	-

(Continued)

	December 31		
	2020		2019
	Interest Rate	Amount	Amount
O-Bank			
Secured borrowings from April 20, 2018 to April 19, 2023. Authorized credit line of US\$20,000 thousand. Principal due in installments according to the bank's contracts. The property, plant and equipment of Test-Rite Business Development Co., Ltd. were pledged as collateral (see Notes 13 and 29).	1.3648%	\$ 478,918	\$ 555,448
Revolving line of credit borrowings from March 14, 2018 to June 13, 2021 and extend contract to June 15, 2022. Authorized credit line of \$400,000 thousand. Principal due on June 15, 2022.	1.2471%	400,000	400,000
Revolving line of credit borrowings from July 7, 2020 to July 6, 2022. Authorized credit line of \$300,000 thousand. Principal due on July 6, 2022	1.2368%	273,667	-
Hua Nan Bank			
Revolving line of credit borrowings from November 27, 2019 to November 27, 2022. Authorized credit line of \$300,000 thousand. Principal due on November 27, 2022.	1.3297%	100,000	150,000
Revolving line of credit borrowings from November 26, 2020 to November 26, 2022. Authorized credit line of \$500,000 thousand. Principal due on November 26, 2022.	1.2383%~ 1.2482%	456,112	-
SinoPac Bank			
Revolving line of credit borrowings from November 21, 2019 to November 30, 2021. Authorized credit line of US\$10,000 thousand. On January 10, 2020, the Company paid the principal in full in advance.	-	-	301,350
Revolving line of credit borrowings from November 21, 2019 to April 30, 2022. Authorized credit line of \$100,000 thousand. Principal due on April 30, 2022.	1.4500%	34,450	-
Revolving line of credit borrowings from November 21, 2019 to November 30, 2022. Authorized credit line of US\$30,000 thousand. Principal due on November 30, 2022.	1.1500%~ 1.2262%	792,675	602,700

(Continued)

	December 31		
	2020		2019
	Interest Rate	Amount	Amount
Mega International Commercial Bank			
Revolving line of credit borrowings from July 19, 2019 to July 18, 2021 and extend contract to July 18, 2022. Authorized credit line of \$70,000 thousand. Principal due on July 18, 2022.	1.0800%	\$ 30,000	\$ 30,000
Bank of Taiwan			
Revolving line of credit borrowings from August 10, 2020 to August 10, 2022. Authorized credit line of \$500,000 thousand. Principal due on August 10, 2022.	0.8972%~ 1.2950%	378,056	-
Yuanta Bank			
Revolving line of credit borrowings from September 17, 2020 to September 16, 2022. Authorized credit line of \$200,000 thousand. Principal due on September 16, 2022. °	1.2500%	200,000	-
Less: Current portion		<u>(45,611)</u>	<u>(85,180)</u>
		<u>\$ 8,331,449</u>	<u>\$ 9,424,773</u> (Concluded)

Test-Rite promised to maintain the following financial covenants according to the loan agreements as of December 31, 2020:

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 no less than 2.5 to 1.
- d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
- e) The calculations of the ratios are based on the Company's stand-alone financial statements for each year ended December 31.

2) O-Bank Loan

- a) For the Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total 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 Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
 - d) The calculations of the ratios are based on the Company's stand-alone financial statements for each year ended December 31.
- 3) 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 no less than 2.5 to 1.
 - d) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$5,200,000 thousand.
 - e) The calculations of the ratios are based on the Company's stand-alone financial statements for each year ended December 31.
- 4) Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with O-Bank:
- a) For the Financial Liabilities Ratio, Test-Rite Retail shall maintain a ratio of Total Financial Liabilities to Tangible Net Worth of no more than 1.5 to 1.
 - b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Short-term borrowings of no less than 1 to 1.
 - c) For the Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of no less than \$2,000,000 thousand.
 - d) The calculations of the ratios are based on the stand-alone financial statements of Test-Rite Retail for each year ended December 31.
- 5) Test-Rite Retail promised to maintain the following financial covenants according to the loan agreements with Taishin International Bank:
- a) For the Financial Liabilities Ratio, Test-Rite Retail shall maintain a ratio of Total Financial Liabilities to Tangible Net Worth of no more than 2 to 1.
 - b) For the Current Ratio, Test-Rite Retail shall maintain a ratio of Current Assets to Current Financial Liabilities of no less than 1 to 1.
 - c) For the EBITDA Ratio, Test-Rite Retail shall maintain a ratio of EBITDA to Interest Expense of no less than 3 to 1.
 - d) The calculations of the ratios are based on the stand-alone financial statements of Test-Rite Retail for each year ended December 31.

During the year ended December 31 2019, the Group breached certain terms of its long-term loan arrangement of First Commercial Bank's syndicated loan, which are primarily related to the interest

coverage ratio of the Group. At December 31, 2019, the carrying amount of the bank loan was \$4,573,375 thousand. According to the syndicated loan agreement, the Group is required to improve certain financial ratios in the next test if the Group is not in compliance with the financial covenants at first test, however, the annual interest rate should be increased by an additional 0.1 percentage point. Therefore, the syndicated loan bank did not immediately requested a repayment when the syndicated loan agreement was breached for the first time in 2019. The improvement has been made in 2020

During the year ended December 31 2019, the Group breached certain terms of its long-term loan arrangement of SinoPac Bank loan, which are primarily related to the interest coverage ratio of the Group. At December 31, 2019, the carrying amount of the bank loan was \$602,700 thousand. According to the loan agreement, the Group is required to maintain certain financial ratios. If the Group is not in compliance with the financial covenants, the Group should pay additional interest on the annual interest rate. Therefore, the lender has no right to demand immediate repayment at the end of reporting period. The improvement has been made in 2020

18. PROVISIONS

	December 31	
	2020	2019
Sales returns and discounts (included in other payables)	\$ 185,352	\$ 107,222
Onerous contracts (included in other current liabilities)	11,996	-
Employee benefits (included in other payables)	<u>6,517</u>	<u>7,726</u>
	<u>\$ 203,865</u>	<u>\$ 114,948</u>

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

19. OTHER PAYABLES

	December 31	
	2020	2019
Accrued expenses	\$ 1,768,632	\$ 1,183,207
Payable for purchase of equipment	64,681	73,228
Bonuses payable to employees	13,474	3,960
Bonuses payable to directors and supervisors	17,983	3,996
Allowance of sales returns and discounts	185,352	107,222
Payable for employee benefits	6,517	7,726
Others	<u>318,948</u>	<u>251,212</u>
	<u>\$ 2,375,587</u>	<u>\$ 1,630,551</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 485,793	\$ 496,785
Fair value of plan assets	<u>(349,270)</u>	<u>(365,321)</u>
Deficit	136,523	131,464
Defined benefit asset (included in other non-current assets)	<u>23,232</u>	<u>22,961</u>
Net defined benefit liability (included in net defined benefit liabilities - non-current)	<u>\$ 159,755</u>	<u>\$ 154,425</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2019	<u>\$ 452,651</u>	<u>\$ (343,821)</u>	<u>\$ 108,830</u>
Service cost			
Current service cost	2,494	-	2,494
Net interest expense	<u>5,761</u>	<u>(3,984)</u>	<u>1,777</u>
Recognized in profit or loss	<u>8,255</u>	<u>(3,984)</u>	<u>4,271</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,743)	(9,743)
Actuarial loss - changes in financial assumptions	29,305	-	29,305
Actuarial loss - experience adjustments	4,083	366	4,449
Actuarial loss - changes in demographic assumptions	<u>9,561</u>	<u>-</u>	<u>9,561</u>
Recognized in other comprehensive income	<u>42,949</u>	<u>(9,377)</u>	<u>33,572</u>
Contributions from the employer	-	(14,039)	(14,039)
Benefits paid	(5,170)	5,170	-
Others	<u>(1,900)</u>	<u>730</u>	<u>(1,170)</u>
Balance at December 31, 2019	<u>496,785</u>	<u>(365,321)</u>	<u>131,464</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Service cost			
Past service cost	\$ 2,204	\$ -	\$ 2,204
Current service cost	2,517	-	2,517
Net interest expense	<u>4,659</u>	<u>(3,446)</u>	<u>1,213</u>
Recognized in profit or loss	<u>9,380</u>	<u>(3,446)</u>	<u>5,934</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(17,031)	(17,031)
Actuarial loss - changes in financial assumptions	17,656	-	17,656
Actuarial (profit) loss - experience adjustments	(2,102)	387	(1,715)
Actuarial loss - changes in demographic assumptions	<u>11,330</u>	<u>-</u>	<u>11,330</u>
Recognized in other comprehensive income	<u>26,884</u>	<u>(16,644)</u>	<u>10,240</u>
Contributions from the employer	-	(14,572)	(14,572)
Benefits paid	(48,391)	47,234	(1,157)
Others	<u>1,135</u>	<u>3,479</u>	<u>4,614</u>
Balance at December 31, 2020	<u>\$ 485,793</u>	<u>\$ (349,270)</u>	<u>\$ 136,523</u>

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

	For the Year Ended December 31	
	2020	2019
Operating expenses	<u>\$ 5,934</u>	<u>\$ 4,271</u>

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

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

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

	December 31	
	2020	2019
Discount rate	0.50-0.80%	0.75%-1.87%
Expected rate of salary increase	2.50-3.00%	0.00%-3.00%

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

	December 31	
	2020	2019
Discount rate		
0.25%-0.5% increase	<u>\$ (13,307)</u>	<u>\$ (14,257)</u>
0.25%-0.5% decrease	<u>\$ 13,875</u>	<u>\$ 14,868</u>
Expected rate of salary increase		
0.25%-1% increase	<u>\$ 15,194</u>	<u>\$ 16,383</u>
0.25%-1% decrease	<u>\$ (14,432)</u>	<u>\$ (15,520)</u>

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

	December 31	
	2020	2019
Expected contributions to the plan for the next year	<u>\$ 10,771</u>	<u>\$ 10,152</u>
Average duration of the defined benefit obligation	9.00-19.10 years	9.80-19.90 years

21. EQUITY

a. Share capital

	December 31	
	2020	2019
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, 2020, Test-Rite's outstanding share capital amounted to \$5,098,875 thousand.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 364	\$ 352,227
<u>May only be used to offset a deficit (2)</u>		
Changes in percentage of ownership interests in subsidiaries	<u>857</u>	<u>857</u>
	<u>\$ 1,221</u>	<u>\$ 353,084</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

As the Company's industrial environment is affected by a wide range of variables, the Company adopted a balanced 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 25-2.

The dividends policy of Test-Rite is as follows:

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

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued

by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 approved in the shareholders’ meetings on June 17, 2020 and June 20, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Legal reserve	\$ 7,984	\$ 40,649	\$ -	\$ -
Special reserve	76,249	60,976	-	-
Cash dividends	-	356,921	-	0.70

The Company’s board of directors had also proposed to issue cash dividends from capital surplus of \$351,863 thousand on March 25, 2020 and was reported in the shareholders’ meeting on June 17, 2020. The Company’s shareholders also resolved to issue cash dividends from capital surplus of \$295,735 thousand in the shareholders’ meeting on June 20, 2019.

The appropriation of earnings for 2020 had been proposed by the Company’s board of directors on March 25, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 79,252	\$ -
Special reserve	178,893	-
Cash dividends	530,272	1.07

The appropriation of earnings for 2020 is subject to the resolution of the shareholders’ meeting to be held on June 17, 2021.

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

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

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

e. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2019	-
Increased during the year	<u>14,306</u>
Number of shares at December 31, 2019	<u>14,306</u>
Number of shares at December 1, 2020	<u>14,306</u>
Number of shares at December 31, 2020	<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.

22. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	\$ 38,838,236	\$ 35,417,182
Construction contract revenue	1,585,475	1,014,496
Rental income	398,156	544,499
Revenue from sales of real estate	7,115	7,848
Other operating revenue	<u>961,721</u>	<u>1,076,788</u>
	<u>\$ 41,790,703</u>	<u>\$ 38,060,813</u>

a. Contract balances

	December 31	
	2020	2019
Contract assets		
Properties construction	<u>\$ 276,891</u>	<u>\$ 216,962</u>
Contract liabilities		
Properties construction	\$ 42,276	\$ 20,901
Customer loyalty programs	<u>117,229</u>	<u>51,165</u>
	<u>\$ 159,505</u>	<u>\$ 72,066</u>

b. Disaggregation of revenue

2020

	Reportable Segments			
	Retail	Trading	Construction	Total
Type of goods or services				
Sale of goods	\$ 16,143,569	\$ 22,444,360	\$ 250,307	\$ 38,838,236
Construction contracts	436,792	-	1,148,683	1,585,475
Rental income	207,388	80	190,688	398,156
Revenue from sales of real estate	-	-	7,115	7,115
Other operating revenue	<u>291,020</u>	<u>646,101</u>	<u>24,600</u>	<u>961,721</u>
	<u>\$ 17,078,769</u>	<u>\$ 23,090,541</u>	<u>\$ 1,621,393</u>	<u>\$ 41,790,703</u>

2019

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

23. INCOME TAX

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current period	\$ 226,128	\$ 101,253
Adjustments for prior periods	<u>15,050</u>	<u>2,590</u>
	<u>241,178</u>	<u>103,843</u>
Deferred tax		
Adjustment for deferred tax assets	<u>(89,409)</u>	<u>(123,994)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 151,769</u>	<u>\$ (20,151)</u>

- b. A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 265,727	\$ 122,847
Tax effect of reconciled items:		
Tax-exempt income	(39,599)	(21,594)
Adjustments to deferred tax assets	(89,409)	(123,994)
Adjustments for prior periods	<u>15,050</u>	<u>2,590</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 151,769</u>	<u>\$ (20,151)</u>

- c. Deferred tax assets and liabilities

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax assets</u>		
Temporary difference		
Share of losses of subsidiaries accounted for using the equity method	\$ 993,822	\$ 949,053
Unrealized loss on inventories	32,410	27,792
Allowance for doubtful accounts	10,147	12,777
Allowance for sales returns and discounts	5,907	45,554
Allowance for compensation losses	38,176	15,530
Others	<u>520,985</u>	<u>494,609</u>
	<u>\$ 1,601,447</u>	<u>\$ 1,545,315</u>
<u>Deferred tax liabilities</u>		
Temporary difference		
Defined benefit obligations	\$ 1,271	\$ 2,527
Intangible assets	<u>13,378</u>	<u>15,691</u>
	<u>\$ 14,649</u>	<u>\$ 18,218</u>

- d. Income tax assessments

The income tax returns of Test-Rite for years through 2018 have been examined and approved by the tax authority.

24. EARNINGS PER SHARE

For the years ended December 31, 2020 and 2019, the amounts of earnings per share were calculated as follows:

	2020		
	Amounts (Numerator) Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	EPS (NT\$) Parent Co. Shareholders Income After Tax
Basic earnings per share			
Net income to shareholders of common shares	\$ 791,615	495,582	<u>\$ 1.60</u>
The effects of dilutive potential common shares			
Compensation to employees	<u>-</u>	<u>333</u>	
Diluted earnings per share			
Net income to shareholders of common shares and the effects of potential common shares	<u>\$ 791,615</u>	<u>495,915</u>	<u>\$ 1.60</u>
	2019		
	Amounts (Numerator) Parent Co. Shareholders Income After Tax	Shares (Denominator) (In Thousands)	EPS (NT\$) Parent Co. Shareholders Income After Tax
Basic earnings per share			
Net income to shareholders of common shares	\$ 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>

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

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

25. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

- a. Personnel, depreciation, and amortization expenses for the years ended December 31, 2020 and 2019 were summarized as follows:

Function Expense Item	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 47,097	\$ 3,196,575	\$ 3,243,672	\$ 44,807	\$ 3,421,744	\$ 3,466,551
Labor insurance and health insurance	3,329	270,133	273,462	4,514	324,226	328,740
Pension cost	1,918	129,953	131,871	2,654	160,925	163,579
Others	4,179	230,120	234,299	5,005	215,206	220,211
Depreciation expenses	328,767	2,078,831	2,407,598	335,467	2,222,931	2,558,398
Amortization expenses	69	113,721	113,790	68	122,705	122,773

As of December 31, 2020 and 2019, the Group had 4,588 and 4,916 employees, respectively. The basis of calculation is consistent with that of employee benefits.

- 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, 2020, which have been approved by the Company's board of directors on March 25, 2021, were as follows:

Accrual rate

	For the Year Ended December 31, 2020
Employees' compensation	1%
Remuneration of directors and supervisors	1.5%

Amount

	For the Year Ended December 31, 2020 Cash
Employees' compensation	\$ 8,878
Remuneration of directors and supervisors	13,317

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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.

26. 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.

27. TRANSACTIONS WITH RELATED PARTIES

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

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

Name	Relationship
Tsai Wang Enterprise Company Limited	Entity controlled by key management personnel
Li Xiong Co., Ltd.	Entity controlled by key management personnel
Saturn Intelligence (CA) Ltd.	Entity controlled by key management personnel
Saturn Intelligence (AR) Ltd.	Entity controlled by key management personnel
Saturn Intelligence (CN) Ltd.	Entity controlled by key management personnel
Upmaster Investment Co., Ltd.	Entity controlled by key management personnel
Tsai Ye Enterprise Company Limited	Entity controlled by key management personnel
Joint Well Inc Limited.	Entity controlled by key management personnel
TAK Health Co., Ltd.	Entity controlled by key management personnel
Yinfong Lasova Co., Ltd.	Entity controlled by key management personnel
Judy Lee	Chairman of Test-Rite
Tony Ho	Related party in substance
Li Heng Lee	Related party in substance

a. Operating transactions

	Sales Revenue	
	For the Year Ended December 31	
	2020	2019
Entity controlled by key management personnel	\$ 2,108	\$ 9,517

	Construction Contract Revenue	
	For the Year Ended December 31	
	2020	2019
Entity controlled by key management personnel	\$ 20,618	\$ 22,664

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

	Revenue from Logistics	
	For the Year Ended December 31	
	2020	2019
Entity controlled by key management personnel	\$ 386	\$ -

	Revenue from Sale of Real Estate	
	For the Year Ended December 31	
	2020	2019
Related party in substance	\$ -	\$ 7,848

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

	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Entity controlled by key management personnel	\$ 29,820	\$ -

At December 31, 2020 and 2019, the remaining balances were as follows:

	Trade Receivables	
	December 31	
	2020	2019
Entity controlled by key management personnel	\$ 76	\$ -

	Trade Payables	
	December 31	
	2020	2019
Entity controlled by key management personnel	\$ 9,578	\$ -

	Other Payables	
	December 31	
	2020	2019
Entity controlled by key management personnel	\$ <u>2,447</u>	\$ <u>-</u>

	Refundable Deposits Paid	
	December 31	
	2020	2019
Tsai Wang Enterprise Company Limited	\$ <u>125,000</u>	\$ <u>125,000</u>

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

Lease arrangements

Line Item	Related Party Category/Name	December 31	
		2020	2019
Lease liabilities	Tsai Wang Enterprise Company Limited	\$ 674,032	\$ 999,469
	Entity controlled by key management personnel	462,409	514,685
	Chairman of Test-Rite	<u>795</u>	<u>1,203</u>
		\$ <u>1,137,236</u>	\$ <u>1,515,357</u>

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
<u>Interest expense</u>		
Entity controlled by key management personnel	\$ 28,115	\$ 35,757
Chairman of Test-Rite	<u>13</u>	<u>18</u>
	<u>\$ 28,128</u>	<u>\$ 35,775</u>

b. Endorsements or guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 30-2.

As of December 31, 2020, short-term borrowing of \$103,279 thousand was guaranteed by the chairman of Test-Rite (Judy Lee) and related party in substance (Tony Ho), short-term borrowing of \$20,000 thousand was guaranteed by the chairman of Test-Rite (Judy Lee), short-term borrowing of \$528,120 thousand was guaranteed by related party in substance (Tony Ho).

As of December 31, 2020, long-term borrowing of \$100,000 thousand was guaranteed by the chairman of Test-Rite (Judy Lee) and related party in substance (Tony Ho), long-term borrowing of \$4,811,692 thousand was guaranteed by the chairman of Test-Rite (Judy Lee), and long-term borrowing of \$2,104,450 thousand was guaranteed by related party in substance (Tony Ho).

As of December 31, 2020, short-term bill payable of \$99,958 thousand was guaranteed by related party in substance (Tony Ho), short-term bill payable of \$299,890 thousand was guaranteed by the chairman of Test-Rite (Judy Lee).

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

As of December 31, 2019, long-term borrowing of \$104,000 thousand was guaranteed by the chairman of Test-Rite (Judy Lee) and related party in substance (Tony Ho), long-term borrowing of \$5,746,075 thousand was guaranteed by the chairman of Test-Rite (Judy Lee), and long-term borrowing of \$2,280,000 thousand was guaranteed by related party in substance (Tony Ho).

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

c. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 116,612	\$ 151,709
Post-employment benefits	<u>2,605</u>	<u>4,038</u>
	<u>\$ 119,217</u>	<u>\$ 155,747</u>

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

28. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Fair value of financial instruments not measured 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, 2020 and 2019, the carrying amounts approximate their fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ <u>-</u>	\$ <u>256,796</u>	\$ <u>-</u>	\$ <u>256,796</u>
Non-derivative financial assets	\$ <u>171,796</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>171,796</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ <u>-</u>	\$ <u>42,367</u>	\$ <u>-</u>	\$ <u>42,367</u>
Financial assets at FVTOCI				
Investments in equity instruments	\$ <u>47,925</u>	\$ <u>-</u>	\$ <u>55,927</u>	\$ <u>103,852</u>

December 31, 2019

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

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

Financial Risk Management Objectives and Policies

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

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

a. Market risk

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

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

1) Foreign currency risk

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

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

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

	USD Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Foreign currency assets - liabilities Equity	(\$ 16,357)	\$ 1,499	(\$ 180)	\$ 114

2) Interest rate risk

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

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

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

	December 31	
	2020	2019
Cash flow interest rate risk		
Financial assets	\$ 528,184	\$ 473,722
Financial liabilities	9,309,245	10,817,104

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

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Group's cash outflow for the years ended December 31, 2020 and 2019 would have been increased by \$87,811 thousand and \$103,434 thousand, respectively.

b. Credit risk

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

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

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

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

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

c. Liquidity risk

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

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

	December 31, 2020			
	1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 11,097,677	\$ 14,078	\$ 59,240	\$ 11,170,995
Fixed interest rate liabilities	399,848	-	-	399,848
Variable interest rate liabilities	977,796	2,181,753	6,149,696	9,309,245
Lease liabilities	<u>2,011,177</u>	<u>1,807,514</u>	<u>4,789,180</u>	<u>8,607,871</u>
	<u>\$ 14,486,498</u>	<u>\$ 4,003,345</u>	<u>\$ 10,998,116</u>	<u>\$ 29,487,959</u>
	December 31, 2019			
	1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 8,033,205	\$ -	\$ 209,262	\$ 8,242,467
Fixed interest rate liabilities	49,978	-	-	49,978
Variable interest rate liabilities	1,392,331	3,946,705	5,478,068	10,817,104
Lease liabilities	<u>1,721,577</u>	<u>3,089,087</u>	<u>4,258,954</u>	<u>9,069,618</u>
	<u>\$ 11,197,091</u>	<u>\$ 7,035,792</u>	<u>\$ 9,946,284</u>	<u>\$ 28,179,167</u>

29. PLEDGED ASSETS

	December 31	
	2020	2019
Property, plant and equipment (see Notes 13 and 17)	\$ 1,609,261	\$ 1,626,134
Time deposits (see Notes 6 and 8)	438,338	461,446
Construction land (see Notes 10 and 17)	<u>149,559</u>	<u>149,559</u>
	<u>\$ 2,197,158</u>	<u>\$ 2,237,139</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Letter of Credit

The Group's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2020 and 2019 were US\$21,216 thousand and US\$1,401 thousand, respectively.

The Group's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2020 were both EUR30 thousand.

Endorsements/guarantees provided

As of December 31, 2020 and 2019, endorsements or guarantees that the Company provided to its subsidiaries were summarized as follows:

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

	December 31	
	2020	2019
Endorsements		
Test-Rite Products Corp.	US\$ 7,000	US\$ 7,000
Test-Rite Pte Ltd.	US\$ 2,000	US\$ 2,000
Subsidiary of TR Development	EUR\$ 6,900	EUR\$ -
	US\$ -	US\$ 5,500
Test-Rite C&B	NT\$ 45,000	NT\$ 45,000
Test-Rite Trading Co., Ltd. and Test-Rite Retailing Co., Ltd.	US\$ -	US\$ 18,000
Test-Rite Retailing Co., Ltd.	US\$ -	US\$ 15,000

As of December 31, 2020 and 2019, the Group had import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks of approximately \$139,444 thousand and \$86,349 thousand, respectively.

31. OTHER ITEMS

The Group assessed the economic impact caused by the COVID-19 pandemic. As of the date of the consolidated financial statements were approved and issued, it has not had a significant impact on the Group. The Group will continue to observe the relevant epidemic situation and assess its impact.

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

The information of significant foreign-currency financial assets and liabilities as of December 31, 2020 and 2019 was summarized as follows:

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

	December 31					
	2020			2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 252,272	28.5070	\$ 7,163,011	\$ 177,843	30.135	\$ 5,359,299
EUR	123	34.4264	4,234	367	33.622	12,339
<u>Financial liabilities</u>						
Monetary items						
USD	308,650	28.5070	8,798,686	172,869	30.135	5,209,407
EUR	647	34.4264	22,274	27	33.622	908

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains were \$158,647 thousand and \$124,507 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

33. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

Segment Revenue and Results

The analysis of the Group revenue and results from continuing operations by reportable segment was as follows:

	2020				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$ 17,091,774	\$ 23,400,669	\$ 2,155,276	\$ (857,016)	\$ 41,790,703
Operating costs	(11,021,866)	(18,616,919)	(1,845,713)	354,625	(31,129,873)
Gross profit	6,069,908	4,783,750	309,563	(502,391)	10,660,830
Operating expenses	(5,990,355)	(4,086,802)	(94,093)	659,293	(9,511,957)
Profit from operations	<u>\$ 79,553</u>	<u>\$ 696,948</u>	<u>\$ 215,470</u>	<u>\$ 156,902</u>	<u>1,148,873</u>
Non-operating income and expenses					(190,235)
Profit before income tax					<u>\$ 958,638</u>

	2019				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Operating revenue	\$ 18,208,729	\$ 19,638,283	\$ 1,492,113	\$ (1,278,312)	\$ 38,060,813
Operating costs	(11,713,586)	(15,499,635)	(1,250,665)	712,215	(27,751,671)
Gross profit	6,495,143	4,138,648	241,448	(566,097)	10,309,142
Operating expenses	(6,450,166)	(3,575,285)	(127,598)	700,529	(9,452,520)
Profit from operations	<u>\$ 44,977</u>	<u>\$ 563,363</u>	<u>\$ 113,850</u>	<u>\$ 134,432</u>	<u>856,622</u>
Non-operating income and expenses					(765,273)
Profit before income tax					<u>\$ 91,349</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2020 and 2019.

Segment Assets and Liabilities

	2020				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 16,476,612</u>	<u>\$ 17,087,303</u>	<u>\$ 4,394,595</u>	<u>\$ (296,812)</u>	<u>\$ 37,661,698</u>
Liabilities	<u>\$ 14,048,355</u>	<u>\$ 15,946,134</u>	<u>\$ 3,037,327</u>	<u>\$ (2,154,099)</u>	<u>\$ 30,877,717</u>

	2019				
	A Segment	B Segment	C Segment	Adjustment and Elimination	Total
Assets	<u>\$ 17,391,550</u>	<u>\$ 15,105,655</u>	<u>\$ 4,101,694</u>	<u>\$ (922,949)</u>	<u>\$ 35,675,950</u>
Liabilities	<u>\$ 15,616,031</u>	<u>\$ 13,222,674</u>	<u>\$ 2,761,632</u>	<u>\$ (2,361,034)</u>	<u>\$ 29,239,303</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2020 and 2019.

Geographical Information

The Company operates in two principal geographical areas - Asia and America.

The Company's revenue from continuing operations from external customers and information about its non-current assets by geographical location were detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Asia	\$ 18,833,129	\$ 19,064,621	\$ 16,964,538	\$ 17,762,411
America	20,361,360	16,569,196	1,218,670	1,144,354
Europe	2,516,492	2,298,732	240,624	282,507
Australia and others	<u>79,722</u>	<u>128,264</u>	<u>1,019</u>	<u>1,021</u>
	<u>\$ 41,790,703</u>	<u>\$ 38,060,813</u>	<u>\$ 18,424,851</u>	<u>\$ 19,190,293</u>

Non-current assets excluded those classified as financial instruments, deferred pension cost and deferred income tax assets.

Major Customer

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2020	2019
Customer A	\$ 6,452,112	\$ 5,482,412
Customer B	<u>5,526,196</u>	<u>5,330,242</u>
	<u>\$ 11,978,308</u>	<u>\$ 10,812,654</u>