TEST RESEARCH, INC.

FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2008 AND 2007

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants Translated from Chinese

To the Board of Directors and Stockholders of
Test Research, Inc.

We have audited the accompanying balance sheets of Test Research, Inc. as of December 31, 2008 and 2007, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2008 and 2007 financial statements of certain investees accounted for under the equity method. These long-term investments amounted to $18,974 thousand and $17,908 thousand as of December 31, 2008 and 2007, respectively, and the related investment loss was $11,251 thousand and $5,269 thousand for the years then ended, respectively. The financial statements of these investee companies were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Test Research, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As described in Notes 2 and 3, effective January 1, 2008, Test Research, Inc. adopted EITF 96-052, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007. As a result of the adoption of EITF 96-052, net income decreased by $75,304 thousand and earnings per share decreased by $0.41 for the year ended December 31, 2008.

We have also audited the consolidated financial statements of Test Research, Inc. and subsidiaries as of and for the years ended December 31, 2008 and 2007. In our report dated March 3, 2009, we expressed a modified unqualified opinion on the consolidated financial statements as the financial statements of certain subsidiaries were audited by other auditors.

March 3, 2009

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TEST RESEARCH, INC.
BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	DECEMBER 31, 2008	DECEMBER 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 47,965	$ 153,302
Notes receivable	14,318	8,238
Accounts receivable, net (Note 4(2))	144,135	327,831
Accounts receivable - related parties (Note 5)	287,769	374,996
Other receivables	3,886	11,090
Inventories, net (Note 4(3))	473,322	458,825
Deferred income tax assets - current (Note 4(12))	9,862	9,296
Other current assets (Note 5)	10,540	14,384
	991,797	1,357,962
Long-term Investments		
Long-term equity investments accounted for under the equity method (Note 4(4))	342,766	289,309
Property, Plant and Equipment (Notes 4(5), 5 and 6)		
Cost		
Land	1,166,021	1,166,021
Buildings and improvements	921,538	137,087
Machinery and equipment	35,652	24,513
Transportation equipment	1,041	1,041
Office equipment	136,144	108,333
Miscellaneous equipment	162,811	133,767
	2,423,207	1,570,762
Less: Accumulated depreciation	(235,209)	(202,838)
Prepayments for equipment and construction in progress	24,762	270,822
	2,212,760	1,638,746
Intangible Assets		
Patents	13,866	19,058
Computer software costs	8,936	11,429
	22,802	30,487
Other Assets		
Assets leased to others	7,862	4,803
Refundable deposits	667	1,148
Deferred income tax assets - non-current (Note 4(12))	27,440	16,807
	35,969	22,758
TOTAL ASSETS	$ 3,606,094	$ 3,339,262

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TEST RESEARCH, INC.
BALANCE SHEETS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2008	DECEMBER 31, 2007
Current Liabilities		
Short-term loans (Note 4(6))	$ 125,000	$ -
Notes payable	8,949	18,254
Accounts payable	85,275	221,332
Income tax payable (Note 4(12))	14,622	43,680
Accrued expenses (Note 5)	151,200	65,844
Other payables	3,481	90,503
Other current liabilities	17,426	22,850
	405,953	462,463
Other Liabilities		
Accrued pension liabilities (Note 4(7))	27,894	28,538
Other liabilities - others (Note 4(4))	132,722	89,246
	160,616	117,784
Total Liabilities	566,569	580,247
Stockholders' Equity		
Common stock (Notes 1 and 4(8))	1,853,000	1,538,000
Capital reserve (Note 4(9))		
Paid-in capital in excess of par value	23,548	23,548
Long-term investments	1,416	1,416
Retained earnings (Note 4(10))		
Legal reserve	300,781	223,419
Unappropriated earnings	815,626	953,615
Cumulative translation adjustments	45,154	19,017
Total Stockholders' Equity	3,039,525	2,759,015
Contingent liabilities (Note 7)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,606,094	$ 3,339,262

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 3, 2009.

TEST RESEARCH, INC.
STATEMENTS OF INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	FOR THE YEARS ENDED DECEMBER 31,	
	2008	2007
Operating revenues (Note 5)		
Sales	$ 1,900,798	$ 2,343,746
Less: Sales returns	(3,910)	(14,238)
Sales allowances	(111)	(1,306)
Net sales	1,896,777	2,328,202
Maintenance income	6,792	8,543
Net operating revenues	1,903,569	2,336,745
Operating costs (Notes 4(11) and 5)		
Cost of sales	(857,558)	(1,027,035)
Cost of maintenance	(11,447)	(6,748)
Net operating costs	(869,005)	(1,033,783)
Gross profit	1,034,564	1,302,962
Unrealized intercompany profit (Note 4(4))	(34,982)	(38,549)
Realized intercompany profit	38,549	44,656
Net operating profit	1,038,131	1,309,069
Operating expenses (Note 4(11))		
Selling (Note 5)	(282,879)	(262,761)
General	(64,229)	(51,737)
Research and development	(166,976)	(155,099)
Total operating expenses	(514,084)	(469,597)
Operating income	524,047	839,472
Non-operating income and gains		
Interest income	467	247
Exchange gain - net	45,901	-
Rental income	2,584	3,503
Reversal of allowance for inventory obsolescence and market price decline	-	4,105
Other income	3,561	9,470
Total non-operating income and gains	52,513	17,325
Non-operating expenses and losses		
Interest expense	(4,515)	(4,514)
Investment loss accounted for under the equity method (Note 4(4))	(56,263)	(30,919)
Loss on disposal of property, plant and equipment	(289)	(821)
Loss on inventory physical count	(586)	(32)
Exchange loss - net	-	(12,185)
Provision for inventory market price decline and obsolescence	(12,954)	-
Other expenses	(1,831)	(1,545)
Total non-operating expenses and losses	(76,438)	(50,016)
Income before income tax	500,122	806,781
Income tax expense (Note 4(12))	(30,399)	(33,159)
Net income	$ 469,723	$ 773,622

Earnings per common share (in dollars) (Note 4(13))	2008 Before tax	2008 After tax	2007 Before tax	2007 After tax
Basic earnings per share	$ 2.70	$ 2.53	$ 4.35	$ 4.17
Diluted earnings per share	$ 2.60	$ 2.44	$ 4.35	$ 4.17

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 3, 2009.

TEST RESEARCH, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings				
2007	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Total
Balance at January 1, 2007	$ 1,276,600	$ 24,964	$ 163,810	$ 1,112	$ 678,692	$ 3,766	$ 2,148,944
Appropriations of 2006 earnings:							
Reversal of special reserve	-	-	-	(1,112)	1,112	-	-
Legal reserve	-	-	59,609	-	(59,609)	-	-
Directors' and supervisors' remuneration	-	-	-	-	(4,410)	-	(4,410)
Employees' stock and cash bonuses	31,610	-	-	-	(52,810)	-	(21,200)
Stock and cash dividends	229,790	-	-	-	(382,982)	-	(153,192)
Net income for 2007	-	-	-	-	773,622	-	773,622
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	15,251	15,251
Balance at December 31, 2007	$ 1,538,000	$ 24,964	$ 223,419	$ -	$ 953,615	$ 19,017	$ 2,759,015

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TEST RESEARCH, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings				
2008	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Total
Balance at January 1, 2008	$ 1,538,000	$ 24,964	$ 223,419	$ -	$ 953,615	$ 19,017	$ 2,759,015
Appropriations of 2007 earnings:							
Legal reserve	-	-	77,362	-	(77,362)	-	-
Directors' and supervisors' remuneration	-	-	-	-	(5,320)	-	(5,320)
Employees' stock and cash bonuses	38,200	-	-	-	(63,670)	-	(25,470)
Stock and cash dividends	276,800	-	-	-	(461,360)	-	(184,560)
Net income for 2008	-	-	-	-	469,723	-	469,723
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	26,137	26,137
Balance at December 31, 2008	$ 1,853,000	$ 24,964	$ 300,781	$ -	$ 815,626	$ 45,154	$ 3,039,525

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 3, 2009.

TEST RESEARCH, INC.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31,	
	2008	2007
Cash flows from operating activities:		
Net income	$ 469,723	$ 773,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	44,844	33,170
Depreciation on assets leased to others	1,831	1,527
Amortization	9,244	8,539
Reversal of allowance of doubtful accounts	(6,362)	(2,644)
Investment loss accounted for under the equity method	56,263	30,919
Provision for inventory obsolescence (reversal of allowance)	12,954	(4,105)
Loss on disposal of property, plant and equipment	289	821
Net change in deferred income tax assets and liabilities	(11,199)	(18,276)
Changes in assets and liabilities:		
(Increase) decrease in:	-	
Notes and accounts receivable	183,978	5
Accounts receivable - related parties	87,227	(113,297)
Other receivables	7,204	(1,841)
Inventories	(72,106)	(79,113)
Other current assets	3,844	1,424
Increase (decrease) in:		
Notes payable	(9,305)	4,297
Accounts payable	(136,057)	74,391
Income tax payable	(29,058)	19,926
Accrued expenses	85,356	14,076
Other payables	(20,395)	(12,069)
Other current liabilities	(5,424)	13,100
Accrued pension liabilities	(644)	(758)
Other liabilities - others	(3,567)	(6,107)
Net cash provided by operating activities	668,640	737,607

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TEST RESEARCH, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31, 2008	2007
Cash flows from investing activities:		
Decrease in other receivables - related party	-	12,452
Increase in long-term equity investments accounted for under the equity method	(36,540)	(19,700)
Acquisition of property, plant and equipment	(646,009)	(233,716)
Increase in intangible assets	(1,559)	(3,081)
Decrease (increase) in refundable deposits	481	(914)
Increase in deferred expenses	-	(50)
Net cash used in investing activities	(683,627)	(245,009)
Cash flows from financing activities:		
Increase in bank loans	125,000	-
Payment of directors' and supervisors' remuneration	(5,320)	(4,410)
Payment of employees' bonuses	(25,470)	(2,000)
Payment of cash dividends	(184,560)	(153,192)
Decrease in long-term loans	-	(300,000)
Net cash used in financing activities	(90,350)	(459,602)
Net (decrease) increase in cash and cash equivalents	(105,337)	32,996
Cash and cash equivalents at beginning of year	153,302	120,306
Cash and cash equivalents at end of year	$ 47,965	$ 153,302
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 4,515	$ 5,714
Income tax	$ 70,656	$ 32,232
Financing activities which have no effect on cash flows		
Employees' bonuses	$ -	$ 19,200
Inventories transferred to property, plant and equipment and assets leased to others	$ 44,655	$ 17,598
Investing activity which have partial effect on cash flows		
Acquisition of property, plant and equipment	$ 579,382	$ 300,343
Add: Payables at beginning of year	66,627	-
Less: Payables at end of year	-	(66,627)
Cash paid	$ 646,009	$ 233,716

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 3, 2009.

TEST RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Test Research, Inc. (the Company) was incorporated in April 1989 under the provisions of the Company Law of the Republic of China (R.O.C.). The Company is engaged in the design, manufacture, sales, repairs and maintenance of semiconductor testers and in-circuit testers. As of December 31, 2008 and 2007, the Company had approximately 300 and 270 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China. The Company's significant accounting policies are as follows:

1) Criteria for classifying assets and liabilities as current or non-current items

a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(1) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the balance sheet date; and

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(1) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the balance sheet date; and

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

2) Foreign currency translation

The Company maintains its accounting records in New Taiwan dollars. Transactions arising in foreign currencies during the year are converted at rates of exchange ruling at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year's profit or loss. Receivables, other monetary assets and liabilities denominated in foreign currencies at year-end are translated at rates of exchange ruling at the balance sheet date. All exchange gains or losses are included in current year's profit or loss.

3) Allowance of doubtful accounts

Allowance for doubtful accounts is provided based on the results of evaluating the collectibility of notes and accounts receivable, taking into account the bad debts incurred in prior years and the aging analysis of the receivables.

4) Inventories

Inventories are stated at the lower of aggregate cost or market value. Cost is determined based on the weighted-average method using perpetual inventory system. The market value is based on the replacement cost for raw materials and supplies and net realizable value for work in process, finished goods and merchandise. Allowance for slow moving items and decline in the market value is provided when necessary.

5) Long-term equity investments accounted for under the equity method

a) Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. Majority owned subsidiaries, in which the Company owns more than 50% of the investee companies' voting rights or has significant control ability on the investee's operations are accounted for under the equity method and included in quarterly consolidated financial statements from 2008.

b) Effective January 1, 2005, investment loss on the non-controlled entities over which the Company has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Company continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Company's equity interest in such investees. In the case of controlled entities, the Company recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such inestees become profitable, the Company recognizes the profits until the amount of losses previously recognized by the Company is fully recovered.

c) For foreign investments accounted for under the equity method, the Company's proportionate share of the foreign investee company's cumulative translation adjustment resulting from translating the foreign investee company's financial statements into New Taiwan dollars is recognized as "Cumulative Translation Adjustments" under stockholders' equity.

6) Property, plant and equipment

a) Property, plant and equipment are stated at cost. Interest incurred during the construction or installation of the assets is capitalized. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred. Gain or loss on disposal of property, plant and equipment is recorded in the current year's profit or loss.

b) Depreciation is provided under the straight-line method over the estimated useful lives of the assets plus an additional year as salvage value. Salvage value of fully depreciated assets that are still in use is depreciated over the re-estimated useful lives. The estimated useful lives are 50 - 55 years for buildings and 2 - 10 years for other property, plant and equipment.

7) Assets leased to others

Assets leased to others are stated at cost. Depreciation is provided under the straight-line method over the estimated useful lives of the assets plus an additional year as salvage value. Depreciation is classified as "Non-operating Expenses and Losses".

8) Intangible assets

a) Patents

Patents are stated at cost and amortized over the estimated life of 10 years using the straight-line method.

b) Computer software

Computer software is stated at cost and amortized over the estimated life of 3 to 5 years using the straight-line method.

9) Impairment of non-financial assets

a) The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life.

b) When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

10) Retirement plan and pension reserve

a) Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. The net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized over 15 years based on the straight-line method.

b) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

11) Product warranty

Product warranty expense is estimated based on past experience and included in the current year's operating expenses. The related liability is classified as "Other Current Liabilities".

12) Income tax

a) The Company adopted ROC SFAS No. 22, Accounting for Income Tax, whereby deferred tax assets and liabilities related to temporary differences and tax loss carryforwards are recorded using the asset and liability method. A valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. Over or under provision of prior year's income tax liabilities is included in current year's income tax expense.

b) The Company adopted ROC SFAS No. 12, Accounting for Investment Tax Credits, whereby investment tax credits resulting from expenditures for the acquisition of equipment or technology, research and development, staff trainings, and investments are recognized in the year the related expenditures are incurred.

c) The additional 10% corporate income tax on undistributed current earnings, on tax basis, is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

d) If the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the regular income tax is less than the basic tax, the income tax payable shall be equal to the basic tax.

13) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

14) Earnings per share

A. The Company's capital structure is a complex capital structure. Pursuant to the R.O.C. SFAS No. 24, "Accounting for Earnings Per Share", an enterprise with complex capital structure shall present both basic EPS and diluted EPS. The calculations of basic EPS and diluted EPS are as follows:

a) Basic EPS: The amount of earnings per share is computed by dividing the amount of net income attributable to common stock outstanding for the reporting period by the weighted average number of common shares outstanding during that period.

b) Diluted EPS: The calculation of diluted EPS is consistent with the calculation of basic EPS assuming that all dilutive potential common shares have been converted into common shares at the beginning of the reporting period and the amount of net income attributable to common stock outstanding for the reporting period has been adjusted by the after-tax effect of any other changes in income or expense that would result from the conversion of the dilutive potential common shares.

B. The Company's potential common shares are the employee stock options issued by the Company and employees' bonus that could be distributed in the form of stock. The treasury stock method will be used to test whether or not potential common shares have dilutive effect in calculating diluted EPS.

15) Recognition of revenues, costs and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs are recognized when the related revenues are incurred. Expenses are recognized as incurred under the accrual basis.

16) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those assumptions and estimates.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2008, the Company adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007. As a result of the adoption of EITF 96-052, net income decreased by $75,304 and earnings per share decreased by $0.41(in dollars) for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,	
	2008	2007
Cash on hand	$ 978	$ 611
Demand deposits	46,987	152,691
	$ 47,965	$ 153,302

2) Accounts receivable - net

	December 31,	
	2008	2007
Accounts receivable	$ 150,848	$ 340,906
Allowance for doubtful accounts	(6,713)	(13,075)
	$ 144,135	$ 327,831

3) Inventories

	December 31,	
	2008	2007
Raw materials	$ 455,803	$ 420,634
Work in process	25,664	47,397
Finished goods	17,238	5,999
Merchandise	36	33
	498,741	474,063
Allowance for decline in market value and obsolescence	(25,419)	(15,238)
	$ 473,322	$ 458,825

The inventories were not pledged.

4) Long-term equity investments accounted for under the equity method

a) The details are as follows:

			Carrying Amount December 31,	
Investee Company	Ownership Percentage	Cost	2008	2007
Long-term equity investments:				
TRI Investments Limited (TIL)	100%	$181,491	$ 323,792	$ 260,651
Test Research USA, Inc. (TRU)	100%	24,286	1,230	4,536
Test Research Singapore Pte. Ltd. (TRS)	100%	14,038	3,374	6,648
TRI Test Research Europe GmbH (TRE)	100%	8,950	4,009	6,724
TRI Japan Corporation (TRJ)	100%	10,750	10,361	10,750
			342,766	289,309
Classified as other liabilities:				
Doli Trading Limited (DOLI)	100%	159	(97,740)	(50,697)
			$ 245,026	$ 238,612

b) Investment income (loss) accounted for under the equity method for the years ended December 31, 2008 and 2007 is set forth below:

Investee Company	2008	2007
TIL	($ 1,687)	$ 27,573
DOLI	(43,325)	(53,223)
TRU	(3,239)	(174)
TRS	(3,268)	(2,502)
TRE	(2,447)	(2,593)
TRJ	(2,297)	-
	($ 56,263)	($ 30,919)

c) The investment loss of TRU, TRS, TRE and TRJ, accounted for under the equity method, was based on their financial statements for the corresponding periods, which were audited by other auditors. The investment loss recognized for these investees for the years ended December 31, 2008 and 2007 was $11,251 and $5,269, respectively. As of December 31, 2008 and 2007, long-term investments in these investees were $18,974 and $17,908, respectively.

d) Unrealized sales profit resulting from transactions with the investee companies as of December 31, 2008 and 2007 was eliminated and recorded as "Other Liabilities-others" amounting to $34,982 and $38,549, respectively.

e) The Company has prepared the 2008 and 2007 consolidated financial statements which include its wholly-owned subsidiaries.

5) Property, plant and equipment

	December 31, 2008		
	Cost	Accumulated Depreciation	Book Value
Land	$ 1,166,021	$ -	$ 1,166,021
Buildings and improvements	921,538	(31,836)	889,702
Machinery and equipment	35,652	(16,235)	19,417
Transportation equipment	1,041	(1,041)	-
Office equipment	136,144	(72,447)	63,697
Miscellaneous equipment	162,811	(113,650)	49,161
Prepayments for equipment and construction in progress	24,762	-	24,762
	$ 2,447,969	($ 235,209)	$ 2,212,760

	December 31, 2007		
	Cost	Accumulated Depreciation	Book Value
Land	$ 1,166,021	$ -	$ 1,166,021
Buildings and improvements	137,087	(21,408)	115,679
Machinery and equipment	24,513	(11,436)	13,077
Transportation equipment	1,041	(1,041)	-
Office equipment	108,333	(67,002)	41,331
Miscellaneous equipment	133,767	(101,951)	31,816
Prepayments for equipment and construction in progress	270,822	-	270,822
	$ 1,841,584	($ 202,838)	$ 1,638,746

Please see Note 6 for details of pledged property, plant and equipment.

6) Short-term loans

	December 31,	
	2008	2007
Secured bank loans	$ 125,000	$
Interest rate per annum	$ 1.80%	$ -

a) Please see Note 6 for details of collateral.

b) As of December 31, 2008 and 2007, the total amount of available credit facility, including a letter of credit and commercial paper, was $732,000 and $762,000, respectively.

7) Accrued pension liabilities

a) The Company has a non-contributory and funded defined benefit pension plan (the Plan) in accordance with the Labor Standards Law, covering all regular employees. Under the Plan, an employee earns 2 units for each year of service for the first 15 years, and one unit for each additional year thereafter, subject to a maximum of 45 units. Upon retirement, an employee is entitled to receive a lump sum payment equal to the units earned multiplied by the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the trust department of Bank of Taiwan, formerly Central Trust of China, under the name of the independent retirement fund committee.

The following sets forth the pension information based on the actuarial report:

(1) Actuarial assumptions

	December 31,	
	2008	2007
Discount rate	2.50%	3.50%
Expected rate of return on plan assets	2.00%	2.50%
Adjustment of salary	2.50%	3.50%

(2) Funded status of the pension plan

	December 31,	
	2008	2007
Vested benefit obligation	$ -	($ 1,603)
Non-vested benefit obligation	(35,071)	(33,193)
Accumulated benefit obligation	(35,071)	(34,796)
Additional benefits based on future salaries	(14,418)	(22,464)
Projected benefit obligation	(49,489)	(57,260)
Plan assets at fair value	22,494	20,681
Funded status	(26,995)	(36,579)
Unrecognized net transition obligation	1,839	2,298
Unrecognized (gain) loss on plan assets	(2,738)	5,743
Accrued pension liabilities	($ 27,894)	($ 28,538)

(3) Net pension costs comprise the following:

	2008	2007
Service cost	$ 135	$ 250
Interest cost	1,976	1,826
Expected return on plan assets	(531)	(466)
Amortization of unrecognized net transition obligation	460	460
	$ 2,040	$ 2,070

b) Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. Employees have the option to be covered under the New Plan. Under the New plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The pension cost recognized under the New Plan for the years ended December 31, 2008 and 2007 was $12,660 and $11,536, respectively.

8) Capital stock

a) As of January 1, 2007, the Company's authorized and outstanding capital was $1,360,000 and $1,276,600, respectively. As approved at the shareholders' meeting held in June 2007, the Company increased its authorized capital to $1,600,000 and declared capitalization of appropriated earnings from stock dividends of $229,790 and special bonus to employees of $31,610. As of December 31, 2007, the Company's authorized and outstanding capital was $1,600,000 and $1,538,000, respectively.

b) As approved at the shareholders' meeting held in June 2008, the Company increased its authorized capital to $2,000,000 and declared capitalization of appropriated earnings from stock dividends of $276,800 and special bonus to employees of $38,200. As of December 31, 2008, the Company's authorized and outstanding capital was $2,000,000 and $1,853,000, respectively.

9) Capital reserve

Capital reserve arising from valuation of long-term equity investments accounted for under the equity method shall not be used for any purpose. According to the Securities and Exchange Law and the Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized shall not exceed 10% of the paid-in capital.

10) Retained earnings

a) Under the Company's Articles of Incorporation, the residual dividend policy is adopted taking into consideration the Company's capital expenditure budget and future capital requirements. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 10% of the total dividends distributed. 10% of the annual net income, after offsetting losses of prior years, if any, shall be set aside as legal reserve. The net income after deducting legal reserve shall be allocated as follows:

(1) 1% to 3% as remuneration to directors and supervisors;

(2) at least 10% as special bonus to employees; and

(3) the remaining balance shall be distributed in accordance with the resolution adopted by the Board of Directors and approved at the shareholders' meeting.

b) The appropriation of 2007 and 2006 earnings had been resolved at the stockholders' meeting on June 13, 2008 and June 15, 2007, respectively. Details are summarized bellow:

	2007 earnings		2006 earnings	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 77,362	-	$ 59,609	-
Stock dividends	276,800	$ 1.8	229,790	$ 1.8
Cash dividends	184,560	1.2	153,192	1.2
Directors' and supervisors' remuneration	5,320	-	4,410	-
Employees' stock bonus	38,200	-	31,610	-
Employees' cash bonus	25,470	-	21,200	-
Total	$ 607,712		$ 499,811	

The abovementioned 2007 and 2006 earnings appropriations are the same with that proposed by the Board of Directors on April 21, 2008 and April 23, 2007, respectively. As of March 3, 2009, the appropriation of 2008 earnings had not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

c) The legal reserve shall be used exclusively to offset accumulated deficit or to increase capital and shall not be used for any other purpose. Capitalization of legal reserve is not permitted unless the balance of the reserve exceeds 50% of the Company's paid-in-capital and only half of such legal reserve balance can be capitalized.

d) The estimated amounts of employees' bonus and directors' and supervisors' remuneration of 2008 are $78,472 and $5,320, respectively, and are recognized as operating costs or operating expenses for 2008. The estimated amounts were based on 20% of the net income, net of legal reserve. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in 2009.

e) Details of imputation tax system

	December 31,	
	2008	2007
Balance of imputation tax credit account	$ 46,781	$ 17,196

	2008 (Estimate)	2007 (Actual)
Creditable tax ratio	7.53%	6.64%

f) Details of unappropriated earnings

	December 31,	
	2008	2007
A. Before 1998	$ 270	$ 270
B. After 1998		
a. Subjected to additional 10% corporate income tax	345,633	179,723
b. Not yet subjected to additional 10% corporate income tax	469,723	773,622
Unappropriated earnings	$ 815,626	$ 953,615

11) Personnel, depreciation and amortization expenses

	For the year ended December 31, 2008			
	Operating costs	Operating expenses	Non-operating expenses	Total
Personnel expenses				
Salaries	$ 49,896	$ 253,210	$ -	$ 303,106
Labor and health insurances	3,352	13,407	-	16,759
Pension and retirement	2,586	12,114	-	14,700
Others	2,139	5,122	-	7,261
	57,973	283,853	-	341,826
Depreciation	12,782	32,062	-	44,844
Depreciation - assets leased to others	-	-	1,831	1,831
Amortization	5,327	3,917	-	9,244
	$ 76,082	$ 319,832	$ 1,831	$ 397,745

	For the year ended December 31, 2007			
	Operating costs	Operating expenses	Non-operating expenses	Total
Personnel expenses				
Salaries	$ 37,620	$ 188,287	$ -	$ 225,907
Labor and health insurances	3,133	12,260	-	15,393
Pension and retirement	2,400	11,206	-	13,606
Others	2,148	4,984	-	7,132
	45,301	216,737	-	262,038
Depreciation	11,652	21,518	-	33,170
Depreciation - assets leased to others	-	-	1,527	1,527
Amortization	5,278	3,104	157	8,539
	$ 62,231	$ 241,359	$ 1,684	$ 305,274

12) Income tax

a) Income tax expense and income tax payable:

	For the years ended December 31, 2008	2007
Tax determined by applying statutory rate to income before income tax	$ 125,021	$ 201,685
10% additional income tax on prior year's undistributed earnings	16,591	11,548
Tax exempt income	(80,684)	(148,516)
Permanent differences	(5,127)	591
Investment tax credits	(34,792)	(24,460)
Under (over) provision of prior year's income tax	3,190	(2,505)
Income tax payable for prior years	-	19,323
Valuation allowance	6,200	(24,507)
Income tax expense	30,399	33,159
Net change in deferred income tax assets and liabilities	11,199	18,276
Prepaid tax	(23,786)	(10,260)
(Under) over provision of prior year's income tax	(3,190)	2,505
Income tax payable	$ 14,622	$ 43,680

b) Deferred income tax assets and liabilities

	December 31, 2008	2007
Deferred tax assets - current	$ 9,862	$ 9,296
Deferred tax assets - non-current	33,640	16,807
Valuation allowance	(6,200)	-
	$ 37,302	$ 26,103

c) Details of temporary differences and investment tax credits resulting in deferred income tax assets and liabilities are as follows:

	December 31,			
	2008		2007	
	Amount	Tax effect	Amount	Tax effect
Current				
Temporary differences				
Accrued warranty	$ 6,147	$ 1,537	$ 4,488	$ 1,122
Unrealized exchange (gain) loss	(15,567)	(3,892)	5,504	1,376
Profit from affiliated company	14,176	3,544	11,293	2,823
Provision for inventory obsolescence	25,419	6,355	15,238	3,810
Provision for rework	6,253	1,563	7,626	1,907
Provision for doubtful accounts	3,020	755	(6,966)	(1,742)
	39,448	9,862	37,183	9,296
Non-current				
Temporary differences				
Provision for pension	27,894	6,974	28,538	7,135
Investment loss (income)	42,935	10,734	(13,328)	(3,332)
Investment tax credits	-	15,932	-	13,004
Valuation allowance	-	(6,200)	-	-
	70,829	27,440	15,210	16,807
	$ 110,277	$ 37,302	$ 52,393	$ 26,103

d) Income derived from products approved by the Ministry of Finance, R.O.C. and the Industrial Development Bureau of the Ministry of Economic Affairs of R.O.C. is exempt from income tax for five years. The tax exemption of four separate products commenced on March 31, 2002, April 30, 2003, March 1, 2004 and March 1, 2006, respectively. The tax exempt income was approximately $322,737 in 2008.

e) The Company's income tax returns through 2005 have been approved by the Tax Authority. As the Tax Authority did not approve the investment tax credits claimed for research and development expenditures, on account that those expenditures did not qualify for tax credits under the Statute for Upgrading Industry, the Tax Authority assessed the Company an additional income tax of $68,953. Accordingly, the Company had filed an appeal with the Tax Authority and requested for a tax re-examination in April 2008.

13) Earnings per share

	For the year ended December 31, 2008				
	Amount			Earnings per share (in dollars)	
	Before tax	After tax	Weighted-average outstanding common shares (Note C)	Before tax	After tax
Net income	$ 500,122	$ 469,723			
Basic earnings per share:					
Net income attributable to common stockholders	$ 500,122	$ 469,723	185,300,000	$ 2.70	$ 2.53
Dilutive effect of common stock equivalents:					
Employee bonus	-	-	7,095,158		
Diluted earnings per share					
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	$ 500,122	$ 469,723	192,395,158	$ 2.60	$ 2.44

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year including the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

	For the year ended December 31, 2007				
	Amount			Earnings per share (in dollars)	
	Income before income tax	Net income	Weighted-average outstanding common shares (Note C)	Income before income tax	Net income
Basic earnings per share					
Net income	$ 806,781	$ 773,622	185,300,000	$ 4.35	$ 4.17

Note: The weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings capitalized during the years ended December 31, 2008 and 2007.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

Name of related parties	Relationship with the Company
TRI Investments Limited (TIL)	Subsidiary accounted for under the equity method
DOLI Trading Limited (DOLI)	Subsidiary accounted for under the equity method
Test Research USA, Inc. (TRU)	Subsidiary accounted for under the equity method
Test Research Singapore Pte. Ltd. (TRS)	Subsidiary accounted for under the equity method
TRI Test Research Europe GmbH (TRE)	Subsidiary accounted for under the equity method
TRI Japan Corporation (TRJ)	Subsidiary accounted for under the equity method
TRI Electronic (Shenzhen) Co., Ltd. (TRI Electronic (Shenzhen))	Subsidiary of TIL accounted for under the equity method
TRI Electronic (Suzhou) Co., Ltd. (TRI Electronic (Suzhou))	Subsidiary of TIL accounted for under the equity method
TRI Electronic (Shanghai) Co., Ltd. (TRI Electronic (Shanghai))	Subsidiary of TIL accounted for under the equity method

2) Significant transactions and balances with related parties

a) Sales

	For the years ended December 31,			
	2008		2007	
	Amount	% of Sales	Amount	% of Sales
DOLI	$ 934,843	49	$1,286,870	55
TRJ	14,524	1	-	-
TRU	225	-	494	-
	$ 949,592	50	$1,287,364	55

(1) For goods sold to DOLI which are for resale to indirect wholly-owned subsidiaries of TRI, the sales prices are between 40% to 70% of the standard prices, while those for resale to others, the sales price is 96% of final sales price. The collection terms are 90-120 days, and are similar to third parties.

(2) The sales prices to TRU and TRJ are between 40% to 70% of the standard prices. The collection terms are 90-120 days, and are similar to third parties.

b) Accounts receivable

	December 31,			
	2008		2007	
	Amount	% of accounts receivable	Amount	% of accounts receivable
DOLI	$ 272,949	62	$ 374,852	53
TRJ	14,820	4	-	-
TRU	-	-	144	-
	$ 287,769	66	$ 374,996	53

c) Prepaid expenses (recorded as other current assets)

	December 31,			
	2008		2007	
Prepaid expenses	Amount	% of other current assets	Amount	% of other current assets
TRU	$ 2,274	22	$ -	-

d) Accrued expenses

	December 31,			
	2008		2007	
	Amount	% of accrued expenses	Amount	% of accrued expenses
TRE	$ 863	1	$ 532	1
TRS	388	–	2, 870	4
TRU	40	–	44	–
TRI Electronic (Shanghai)	–	–	1, 767	3
	$ 1, 291	1	$ 5, 213	8

e) Agency expense (recorded as selling expenses)

The Company signed agency agreements with subsidiaries. In 2008 and 2007, the Company's payments to subsidiaries for agency services are as follows:

	For the years ended December 31,			
	2008		2007	
	Amount	% of selling expenses	Amount	% of selling expenses
TRI Electronic (Shanghai)	$ 20, 731	7	$ 7, 174	3
TRU	12, 495	4	14, 899	6
TRE	12, 348	4	3, 369	1
TRS	6, 554	2	6, 338	2
TRI Electronic (Shenzhen)	860	–	1, 132	–
TRJ	624	–	–	–
	$ 53, 612	17	$ 32, 912	12

f) Installation, maintenance and warranty expenses (recorded as cost of sales)

In 2008 and 2007, the Company directly paid and indirectly paid through DOLI for the installation, maintenance and warranty to subsidiaries as follows:

	For the years ended December 31,	
	2008	2007
TRI Electronic (Suzhou)	$ 4, 703	$ 3, 029
TRI Electronic (Shenzhen)	–	2, 891
	$ 4, 703	$ 5, 920

g) Asset transactions

In 2008, the Company purchased equipments from TRS in the amount of $291. In 2007, the Company purchased equipments from TRU in the amount of $7,952.

h) Remuneration information of main management (including directors, supervisors, general manager and vice general managers)

	For the years ended December 31,	
	2008	2007
Salaries	$ 2,482	$ 3,581
Bonuses	112	661
Services fees	38	53
Distribution of earnings	7,537	15,127
	$ 10,169	$ 19,422

6. PLEDGED ASSETS

	Book Value		
	December 31,		
Item	2008	2007	Purpose
Property, plant and equipment			
- Land	$ 388,990	$ 388,990	Security for lines of credit
- Buildings and improvements	68,914	70,492	Security for lines of credit
	$ 457,904	$ 459,482	

7. CONTINGENT LIABILITIES

The Company's income tax returns through 2005 have been assessed and approved by the Tax Authority. Please see Note 4(12) (e) for details.

8. SIGNIFICANT DAMAGE LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) The fair values of the financial instruments

	December 31, 2008		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 498, 740	Note	Note
Liabilities			
Financial liabilities with fair values equal to book values	$ 388, 527	Note	Note

	December 31, 2007		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 876, 605	Note	Note
Liabilities			
Financial liabilities with fair values equal to book values	$ 439, 613	Note	Note

Note: As assets and liabilities were short-term instruments, their fair values were determined based on their carrying values, and not based on quotations in an active market nor estimated using a valuation technique.

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

(1) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Notes receivable, Accounts receivable (including related parties), Other receivables, Short-term loans, Notes payable, Accounts payable, Accrued expenses, Income tax payable and Other payables.

(2) The fair value of refundable deposits was based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank. The Company uses the carrying value if the difference of the present value amount is not significant.

2) Procedure of financial risk control and hedge

The Company adopts an overall risk management and control system to identify and measure a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk.

The Company's management considers economic environment, competition and market value risk to achieve the best position of investment risk, maximize the investment of excess liquidity and control the overall market risk.

To meet its risk management objectives, the Company adopts the following strategies to control financial risk:

Foreign exchange risk

To reduce foreign exchange risk, the Company's management considers international economic environment to measure the overall foreign exchange risk.

Credit risk

The Company has a stringent credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Company's credit rights and thereby mitigate credit risk.

3) Information of material financial risk

a) Market risk

The Company's certain import and export transactions are conducted in foreign currencies. The change of fair value will be caused by foreign exchange rate, however, the amounts and periods of the Company's accounts receivable and accounts payable are equivalent, so the market risk could be offset. If the gap is raised, the Company would adopt the forward contract to hedge the risk, so the Company estimates there would be no material risk.

b) Credit risk

The Company has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The maximum loss to the Company is the book value of accounts receivable.

c) Cash flow risk arising from fluctuations in interest rates

As the Company adopted fixed interest rates for its short-term loans, no cash flow interest rate risk is expected.

11. OTHER DISCLOSURE ITEMS

1) Information on significant transactions:

The required information of Test Research USA, Inc., Test Research Singapore Pte. Ltd., TRI Test Research Europe GmbH and TRI Japan Corporation were based on the investee companies' financial statements which were audited by other auditors.

a) Loans granted during the year ended December 31, 2008: None.

b) Endorsements and guarantees provided during the year ended December 31, 2008: None.

c) Marketable securities held as at December 31, 2008:

				As of December 31, 2008				
Securities held by	Marketable securities	Relationship of the securities issuer with the Company	General ledger account	Number of shares	Book value	Ownership (%)	Market value	Remarks
Test Research, Inc.	Common Stocks- TRI Investments Limited	Subsidiary accounted for under the equity method	Long-term equity investments accounted for under the equity method	5, 524, 109	$ 323, 792	100%	$ 324, 104	None
	Common Stock- DOLI Trading Limited	〃	Other liabilities - others	5, 000	(97, 740)	100%	(94, 504)	None
	Common Stock- Test Research USA. Inc.	〃	Long-term equity investments accounted for under the equity method	838, 935	1, 230	100%	1, 280	None
	Common Stock- Test Research Singapore Pte. Ltd.	〃	〃	957, 161	3, 374	100%	3, 374	None
	TRI Test Research Europe GmbH	〃	〃	Note	4, 009	100%	4, 009	None
	TRI Japan Corporation	〃	〃	Note	10, 361	100%	10, 361	None
TRI Investments Limited (TIL)	TRI Electronic (Shenzhen) Limited	Subsidiary of TIL accounted for under the equity method	〃	Note	USD 3, 649, 256	100%	USD 3, 649, 256	None
	TRI Electronic (Suzhou) Limited	〃	〃	Note	USD 3, 327, 009	100%	USD 3, 327, 009	None
	TRI Electronic (Shanghai) Limited	〃	〃	Note	USD 2, 804, 353	100%	USD 2, 804, 353	None

Note: A limited liability company.

d) Acquisition or sale of the same security with the accumulated cost exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008: None

e) Acquisition of real estate properties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

							If the counterparty is a related party, information as to the last transaction of the property is disclosed below:						
Property acquired by	Property acquired	Date of transaction	Transaction amount	Status of payment	Counterparty	Relationship with the Company	Original owner who sold the property to the counterparty	Relationship of the original owner with the Company	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of properties and status of the properties	Other commitments
Test Research, Inc.	Factory	Apr. 23, 2007	$796,174	$796,174	Chun-Lin Construction Co, Ltd.	None	N/A	N/A	N/A	N/A	N/A	Research and development office and manufacturing center	-

f) Disposals of real estate properties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008: None.

g) Purchases from or sales to related parties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/Seller	Counterparty	Relationship with the Company	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remark
Test Research, Inc.	DOLI Trading Limited	A company accounted for using the equity method	Sales	$934,843	49%	The collection terms are 90-120 days, and are similar to third parties.	If the purchases from TRI will be resold to the indirectly 100% owned companies of TRI, the price is 40%-70% of standard prices; otherwise, the price is 96% of final sales price.	Third parties: 60-90 days DOLI: The collection terms are 90-120 days, and are similar to third parties.	Accounts receivable $ 272,949	62%	None
DOLI Trading Limited	Test Research, Inc.	Parent company	Purchases	934,843	100%	The payment terms are 90-120 days.	The price is determined by TRI, the only counterparty for purchase transactions of DOLI.	The payment terms are 90-120 days.	Accounts payable $ 272,949	100%	None

h) Receivables from related parties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008:

Creditor	Counterparty	Relationship with the Company	Balance as at December 31, 2008	Turnover rate	Overdue receivables Amount	Overdue receivables Actions taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Test Research, Inc.	DOLI Trading Limited	A company accounted for using the equity method	$ 272,949	2.89	$ -	-	$ 107,137 (Note 1)	(Note 2)

Note 1: The subsequent collections are before opinion date.

Note 2: According to the EITF 76-069, prescribed by the R.O.C. Accounting Research and Development Foundation, no allowance for doubtful accounts will be provided for accounts receivable from related parties which are included in the Company's consolidated financial statements.

i) Derivative financial instruments undertaken during the year ended December 31, 2008: None.

2) Disclosure information of investee company:

a) Related information on investee companies:

Investor	Investee	Location	Main activities	Initial investment amount: Balance as at 12/31/2008	Initial investment amount: Balance as at 1/1/2008	Shares held as at December 31, 2008: No. of shares	Shares held as at December 31, 2008: Ownership (%)	Shares held as at December 31, 2008: Book value	Net income (loss) of the investee	Investment income (loss) recognized by the Company	Remarks
Test Research, Inc.	TRI Investments Limited	Offshore Chamber, PO Box 217, Apia, Samoa	Investment holdings	$ 181,491	$ 144,951	5,524,109	100%	$ 323,792	($ 1,687)	($ 1,687)	None
	DOLI Trading Limited	The Lake Building, 1st Floor Wickhams Cav 1 PO Box 3152 Road Town, Tortola B.V.I.	Trading	159	159	5,000	100%	(97,740)	(42,820)	(43,325)	(Note 3)
	Test Research USA, Inc.	500 Laurelwood Road Suite #1 Santa Clara, Ca950542471, USA	Trading	24,286	24,286	838,935	100%	1,230	(3,305)	(3,239)	(Note 3)
	Test Research Singapore Pte. Ltd.	10 Ubi Crescent #06-21 UBI Techpark Singapore (408564)	Trading	14,038	14,038	957,161	100%	3,374	(3,442)	(3,268)	(Note 3)
	TRI Test Research Europe GmbH	Lohnerhofstrasse2, 78467 Konstanz, Germany	Trading	8,950	8,950	(Note 1)	100%	4,009	(2,447)	(2,447)	None
	TRI Japan Corporation	2-9-9 Midori, Sumida-ku, Tokyo, 130-0021 Japan	Trading	10,750	10,750	(Note 1)	100%	10,361	(2,297)	(2,297)	None
TRI Investments Limited	TRI Electronic (Shenzhen) Limited	5/F, No. 3, Guangxia Road, Shangmeilin, Shenzhen, China	Manufacture and sales of test equipment	USD 750,000	USD 750,000	(Note 1)	100%	USD 3,649,256	USD (103,516)	(Note 4)	(Note 2)
	TRI Electronic (Suzhou) Limited	63 Huo Jiu Road, Suzhou New District, Suzhou, China	Manufacture and sales of test equipment	USD 2,000,000	USD 2,000,000	(Note 1)	100%	USD 3,327,009	USD 19,219	(Note 4)	(Note 2)
	TRI Electronic (Shanghai) Limited	6/F, No. 481 Guiping Road, Shanghai, China	Manufacture and sales of test equipment	USD 2,700,000	USD 1,500,000	(Note 1)	100%	USD 2,804,353	USD 30,768	(Note 4)	(Note 2)

Note 1: A limited liability company.
Note 2: The unit of foreign currency is dollar.
Note 3: The investment loss included the elimination of intercompany transactions.
Note 4: The investment income (loss) recognized by TRI Investment Limited.

b) Disclosure of investee companies: Please see (1) above for information on significant transactions.

3) Disclosure of investments in Mainland China:

a) The related information of investment in Mainland China is as follows:

Investee in Mainland China	Main activities	Paid-in Capital	Investment method	Accumulated amount of remittance to Mainland China as of January 1, 2008	Amount remitted to Mainland China during the year	Amount remitted back to Taiwan during the year	Accumulated amount of remittance to Mainland China as of December 31, 2008	Ownership held by the Company (direct/indirect)	Investment income (loss) recognized by the Company for the year	Book value of investments in Mainland China as of December 31, 2008	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2008
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test research equipment	USD 750,000	Indirect subsidiary invested by 100% owned TRI Investments Limited	USD 750,000	-	-	USD 750,000	100%	(USD 103,516) (Note 1)	USD 3,649,256	None
TRI Electronic (Suzhou) Limited	Manufacture and sales of test research equipment	USD 2,588,915	Indirect subsidiary invested by 100% owned TRI Investments Limited	USD 2,000,000	-	-	USD 2,000,000	100%	USD 19,219 (Note 1)	USD 3,327,009	None
TRI Electronic (Shanghai) Limited	Manufacture and sales of test research equipment	USD 2,700,000	Indirect subsidiary invested by 100% owned TRI Investments Limited	USD 1,500,000	USD 1,200,000	-	USD 2,700,000	100%	USD 30,768 (Note 1)	USD 2,804,353	None

Note 1: Amount based on the financial statements audited by the Company’s auditors.

Accumulated investment in Mainland China at the end of year	Limitation of investment approved by the Investment Commission of the Ministry of Economic Affairs	Limitation of investment in Mainland China (Note 2)
USD 5,450,000	USD 8,913,915	NTD 1,823,715

Note 2: The limitation was the higher amount between $80,000 and 60% of stockholders' equity.
$80,000, or 60% of stockholders' equity (the higher one) = $3,039,525* 60% = $1,823,715

b) Significant transactions with investee companies in Mainland China:

Year	Investee company	Sales (purchases) Amount	Sales (purchases) %	Accounts receivable (payable) Amount	Accounts receivable (payable) %	Other significant events
2008	TRI Electronic (Shenzhen) Limited	$ 67,076 (Note 1)	3.52%	$ 21,567	4.99%	$ 860 (Note 2)
2008	TRI Electronic (Suzhou) Limited	11,687 (Note 1)	0.61%	3,348	0.78%	4,703 (Note 2)
2008	TRI Electronic (Shanghai) Limited	11,547 (Note 1)	0.61%	571	0.13%	20,731 (Note 2)

Note 1: The sales of the Company were indirectly conducted with investee companies in Mainland China through DOLI Trading Limited.

Note 2: Represents installation, maintenance, warranty and agency expenses.

12. SEGMENT INFORMATION

1) Financial information by industry

Not applicable as the Company engaged in a single industry, the design, manufacture, sales, repairs and maintenance of semiconductor testers and in-circuit testers.

2) Financial information by geographic area

Not applicable as the Company has no operating department or branch outside of R.O.C. in 2008 and 2007.

3) Export sales by geographic area

Area	For the years ended December 31, 2008	2007
Southeast Asia	$ 97,434	$ 77,755
Northeast Asia	36,435	47,531
Europe and USA	417,048	376,818
Others	1,151,319	1,590,084
	$ 1,702,236	$ 2,092,188

4) Information on major customers

Sales to customers constituting more than 10 percent of the Company's total sales are as follows:

	For the year ended December 31, 2008			For the year ended December 31, 2007	
Customer	Amount	Percentage	Customer	Amount	Percentage
DOLI	$ 934,843	49%	DOLI	$ 1,286,870	55%
F	305,784	16%	F	272,654	12%