

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014

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

PWCR 15003384

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

We have audited the accompanying consolidated balance sheets of Test Research, Inc. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain non-significant consolidated subsidiaries, which statements reflect total assets of NT\$31,695 thousand and NT\$44,979 thousand, both constituting 1% of the consolidated total assets, and total liabilities of NT\$4,515 thousand and NT\$4,292 thousand, both constituting 1% of the consolidated total liabilities as of December 31, 2015 and 2014, respectively, and total operating revenues was both NT\$0 for the years then ended. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these consolidated subsidiaries, is based solely on the audit reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation 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 the other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Test Research, Inc. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Test Research, Inc. as of and for the years ended December 31, 2015 and 2014, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 2, 2016

The accompanying consolidated 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 consolidated 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	2015	2014
	Current assets			
1100	Cash and cash equivalents	6(1)	\$ 2,171,175	\$ 2,542,076
1150	Notes receivable, net		64,131	32,812
1170	Accounts receivable, net	6(2)	1,455,486	1,125,091
1200	Other receivables		26,006	20,763
130X	Inventory	6(3)	611,585	723,630
1470	Other current assets	8	33,058	30,999
11XX	Total current assets		<u>4,361,441</u>	<u>4,475,371</u>
	Non-current assets			
1600	Property, plant and equipment	6(4) and 8	2,214,672	2,249,092
1780	Intangible assets		10,321	8,350
1840	Deferred income tax assets	6(15)	53,091	60,129
1900	Other non-current assets		9,695	11,435
15XX	Total non-current assets		<u>2,287,779</u>	<u>2,329,006</u>
1XXX	Total assets		<u>\$ 6,649,220</u>	<u>\$ 6,804,377</u>

(Continued)

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	2015	2014
	Current liabilities			
2150	Notes payable		\$ 22,507	\$ 22,513
2170	Accounts payable		365,128	405,005
2200	Other payables	6(5)	311,562	348,508
2230	Current income tax liabilities		98,664	160,778
2300	Other current liabilities		27,433	4,153
21XX	Total current liabilities		<u>825,294</u>	<u>940,957</u>
	Non-current liabilities			
2550	Provisions for liabilities - non-current		21,569	18,305
2570	Deferred income tax liabilities	6(15)	63,213	77,348
2600	Other non-current liabilities	6(6)	53,898	49,298
25XX	Total non-current liabilities		<u>138,680</u>	<u>144,951</u>
2XXX	Total liabilities		<u>963,974</u>	<u>1,085,908</u>
	Equity attributable to owners of parent			
	Share capital	6(7)		
3110	Share capital - common stock		2,362,160	2,362,160
	Capital surplus	6(8)		
3200	Capital surplus		53,290	53,290
	Retained earnings	6(9)		
3310	Legal reserve		904,309	778,269
3320	Special reserve		14,381	14,381
3350	Unappropriated retained earnings	6(15)	2,338,424	2,486,331
	Other equity interest			
3400	Other equity interest		12,682	24,038
31XX	Equity attributable to owners of the parent		<u>5,685,246</u>	<u>5,718,469</u>
3XXX	Total equity		<u>5,685,246</u>	<u>5,718,469</u>
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant subsequent events	11		
3X2X	Total liabilities and equity		<u>\$ 6,649,220</u>	<u>\$ 6,804,377</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2016.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	2015	2014 (adjusted)
4000 Sales revenue	6(10)	\$ 4,754,389	\$ 5,869,549
5000 Operating costs	6(3)(13)(14)	(2,219,681)	(3,178,652)
5950 Net operating margin		<u>2,534,708</u>	<u>2,690,897</u>
Operating expenses	6(13)(14)		
6100 Selling expenses		(845,594)	(796,111)
6200 General and administrative expenses		(159,010)	(160,433)
6300 Research and development expenses		(379,486)	(378,371)
6000 Total operating expenses		(1,384,090)	(1,334,915)
6900 Operating profit		<u>1,150,618</u>	<u>1,355,982</u>
Non-operating income and expenses			
7010 Other income	6(11)	34,299	48,197
7020 Other gains and losses	6(12)	61,374	72,639
7050 Finance costs		-	(115)
7000 Total non-operating income and expenses		<u>95,673</u>	<u>120,721</u>
7900 Profit before income tax		<u>1,246,291</u>	<u>1,476,703</u>
7950 Income tax expense	6(15)	(247,388)	(216,307)
8200 Profit for the year		<u>\$ 998,903</u>	<u>\$ 1,260,396</u>
Other comprehensive (loss) income			
Components of other comprehensive (loss) income that will not be reclassified to profit or loss			
8311 Other comprehensive loss, before tax, actuarial gains (losses) on defined benefit plans	6(6)	(\$ 6,074)	\$ -
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(15)	<u>1,033</u>	<u>-</u>
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(5,041)	-
Components of other comprehensive (loss) income that will be reclassified to profit or loss			
8361 Financial statements translation differences of foreign operations		(13,682)	19,712
8399 Income tax relating to the components of other comprehensive income	6(15)	<u>2,326</u>	(3,351)
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		(11,356)	16,361
8300 Total other comprehensive (loss) income for the year		(\$ 16,397)	\$ 16,361
8500 Total comprehensive income for the year		<u>\$ 982,506</u>	<u>\$ 1,276,757</u>
Profit attributable to:			
8610 Owners of the parent		<u>\$ 998,903</u>	<u>\$ 1,260,396</u>
Comprehensive income attributable to:			
8710 Owners of the parent		<u>\$ 982,506</u>	<u>\$ 1,276,757</u>
Earnings per share (in dollars)	6(16)		
9750 Basic earnings per share		<u>\$ 4.23</u>	<u>\$ 5.34</u>
9850 Diluted earnings per share		<u>\$ 4.21</u>	<u>\$ 5.31</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2016.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent							
		Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>2014</u>									
		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 697,639	\$ 14,381	\$ 2,086,078	\$ 7,677	\$ 5,221,225
	Appropriations of 2013 earnings	6(8)(9)							
	Legal reserve	-	-	-	80,630	-	(80,630)	-	-
	Cash dividends	-	-	-	-	-	(779,513)	-	(779,513)
	Net income for the year	-	-	-	-	-	1,260,396	-	1,260,396
	Other comprehensive income for the year	-	-	-	-	-	-	16,361	16,361
	Balance at December 31, 2014	<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 778,269</u>	<u>\$ 14,381</u>	<u>\$ 2,486,331</u>	<u>\$ 24,038</u>	<u>\$ 5,718,469</u>
<u>2015</u>									
	Balance at January 1, 2015	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 778,269	\$ 14,381	\$ 2,486,331	\$ 24,038	\$ 5,718,469
	Appropriations of 2014 earnings	6(8)(9)							
	Legal reserve	-	-	-	126,040	-	(126,040)	-	-
	Cash dividends	-	-	-	-	-	(1,015,729)	-	(1,015,729)
	Net income for the year	-	-	-	-	-	998,903	-	998,903
	Other comprehensive loss for the year	-	-	-	-	-	(5,041)	(11,356)	(16,397)
	Balance at December 31, 2015	<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 904,309</u>	<u>\$ 14,381</u>	<u>\$ 2,338,424</u>	<u>\$ 12,682</u>	<u>\$ 5,685,246</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2016.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,246,291	\$ 1,476,703
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(13)	99,012	91,905
Amortization	6(13)	6,482	5,309
(Reversal of allowance) provision for bad debts	6(2)	(545)	8,388
Interest expense		-	115
Interest income	6(11)	(16,237)	(15,402)
Loss (gain) on disposal of property, plant and equipment	6(12)	1,488	(3,180)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(31,319)	1,687
Accounts receivable		(330,578)	(127,605)
Other receivables		(11,357)	2,857
Inventory		57,344	(187,280)
Other current assets		(2,177)	16,320
Changes in operating liabilities			
Notes payable		(6)	7,282
Accounts payable		(39,877)	(93,567)
Other payables		(36,946)	77,175
Other current liabilities		23,280	(1,672)
Provisions for liabilities - non-current		3,264	2,326
Other non-current liabilities		(1,474)	(1,549)
Cash inflow generated from operations		966,645	1,259,812
Interest received		22,351	15,740
Interest paid		-	(115)
Income tax paid		(313,232)	(120,325)
Net cash flows from operating activities		<u>675,764</u>	<u>1,155,112</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in other financial assets		118	(304)
Acquisition of property, plant and equipment	6(4)	(24,815)	(25,815)
Proceeds from disposal of property, plant and equipment	6(4)	15,070	9,049
Acquisition of intangible assets		(8,456)	(4,630)
Decrease (increase) in other non-current assets		1,740	(564)
Net cash flows used in investing activities		<u>(16,343)</u>	<u>(22,264)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of cash dividends	6(9)	(1,015,729)	(779,513)
Effect on exchange rate changes on cash and cash equivalents		(14,593)	5,455
Net (decrease) increase in cash and cash equivalents		(370,901)	358,790
Cash and cash equivalents at beginning of year		2,542,076	2,183,286
Cash and cash equivalents at end of year		<u>\$ 2,171,175</u>	<u>\$ 2,542,076</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2016.

TEST RESEARCH, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(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 and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design, manufacture, sales, repairs and maintenance of semiconductor testers and in-circuit testers.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 2, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

B. IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between

companies within the Group are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			December 31,		
			2015	2014	
Test Research, Inc.	DOLI TRADING LIMITED (DOLI)	Trading	100	100	-
Test Research, Inc.	TEST RESEARCH USA INC. (TRU)	Trading	100	100	-
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH (TRE)	Trading	100	100	-
Test Research, Inc.	TRI JAPAN CORPORATION (TRJ)	Trading	100	100	-
Test Research, Inc.	TRI MALAYSIA SND. BHD (TRM)	Trading	100	100	-
Test Research, Inc.	TRI INVESTMENTS LIMITED (TIL)	Investment holdings	100	100	-
TRI INVESTMENTS LIMITED (TIL)	ELECTRONIC (SHENZHEN) LIMITED	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	ELECTRONIC (SUZHOU) LIMITED	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	ELECTRONIC (SHANGHAI) LIMITED	Import and export of equipment, consulting and after-sale maintenance service of equipment	100	100	-

The financial statements of TRU, TRE and TRM for the years ended December 31, 2015 and 2014 were audited by other independent accountants. The total assets of these non-significant subsidiaries as of December 31, 2015 and 2014 were \$31,695 and \$44,979, both constituting 1% of the consolidated total assets, and the total liabilities were \$4,515 and \$4,292, both constituting 1% of the consolidated total liabilities, respectively. The total operating revenues were both \$0 for the years ended December 31, 2015 and 2014.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that has a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the

foreign operation.

(5) Classification of current and 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:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) 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:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Accounts receivable

Accounts receivable are originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial

assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the debtor;
- (b) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (c) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (d) The disappearance of an active market for that financial asset because of financial difficulties;
- (e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation

to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	50~55 years
Machinery and equipment	2~10 years
Transportation equipment	5 years
Office equipment	3~10 years
Miscellaneous equipment	2~10 years

(12) Intangible assets

A. Trademarks

Separately acquired trademarks are stated at historical cost. Trademarks have a finite useful life and are amortised on a straight-line basis over their estimated useful life of 10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(13) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss recognized in prior years shall be recovered.

(14) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(15) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(16) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(17) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(21) Revenue recognition

- A. Sales of goods

The Group designs, manufactures and sells semiconductor testers and in-circuit testers products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the Group. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Group provides repairs and maintenance of semiconductor testers and in-circuit testers services, and the sales are recognised when the services are rendered.

C. A sale agreement comprising multiple components

A sale agreement offered by the Group might comprise multiple components, including sale of goods and subsequent repair services, etc. If a sale agreement comprises multiple identifiable components, the fair value of the consideration received or receivable in respect of the sale agreement shall be allocated between those components based on the relative fair value of each component. The amount of proceeds allocated to each component is recognised as revenue in profit or loss following the revenue recognition criteria applied to each component. The fair value of each component is determined by its market value when it is sold separately.

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. In the process of applying the Group's accounting policies, there is no critical accounting judgment. The critical accounting estimates and assumptions pertain to the evaluation of inventories. The information is addressed below:

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the

net realisable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2015, the carrying amount of inventories was \$611,585.

- B. The Group assesses impairment of accounts receivable based on its subjective judgement and determines the probability of recovery of individual receivables. The Group determines whether the receivables shall be reclassified as overdue receivables and an appropriate percentage of allowance for bad debts on a case-by-case basis. The impairment assessment relies on the Group's subjective judgement and thus the probability of accounting estimates to be inappropriate is high.

As of December 31, 2015, the carrying amount of accounts receivable was \$1,455,486.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2015	2014
Cash on hand and revolving funds	\$ 1,230	\$ 806
Checking accounts and demand deposits	1,286,780	868,089
Time deposits	433,165	673,203
Repurchase of bonds	450,000	999,978
	<u>\$ 2,171,175</u>	<u>\$ 2,542,076</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

- B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	December 31,	
	2015	2014
Accounts receivable	\$ 1,472,507	\$ 1,143,385
Less: allowance for bad debts	(17,021)	(18,294)
	<u>\$ 1,455,486</u>	<u>\$ 1,125,091</u>

- A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31,	
	2015	2014
Group 1	\$ 617,167	\$ 444,200
Group 2	369,369	396,327
	<u>\$ 986,536</u>	<u>\$ 840,527</u>

Note:

Group 1: Low-risk clients: clients that have good operating conditions, degree of financial transparency and are approved by the Group's credit control supervisors.

Group 2: Regular-risk clients: clients that are excluded from low-risk clients and are approved by the Group's credit control supervisors.

B. The ageing analysis of accounts receivable that were past due is as follows:

(a) Ageing analysis of financial assets that were past due but did not exceed credit limits is as follows:

	December 31,	
	2015	2014
Up to 60 days	\$ 269,274	\$ 128,074
61 to 90 days	38,158	19,496
91 to 180 days	30,710	17,796
181 to 365 days	34,150	38,819
Over 365 days	7,128	6,989
	<u>\$ 379,420</u>	<u>\$ 211,174</u>

(b) Ageing analysis of financial assets that were past due and exceeded credit limits is as follows:

	December 31,	
	2015	2014
Up to 60 days	\$ 61,768	\$ 39,564
61 to 90 days	5,891	1,525
91 to 180 days	15,111	28,445
181 to 365 days	13,968	11,692
Over 365 days	9,813	10,458
	<u>\$ 106,551</u>	<u>\$ 91,684</u>

The above ageing analysis was based on past due date.

- (c) Movement of changes in allowance for bad debts of financial assets that were past due by group assessment is as follows:

	2015		
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 18,294	\$ 18,294
Reversal of impairment	- (	545)	(545)
Net exchange differences	- (	728)	(728)
At December 31	<u>\$ -</u>	<u>\$ 17,021</u>	<u>\$ 17,021</u>

	2014		
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 9,856	\$ 9,856
Provision for impairment	-	8,388	8,388
Net exchange differences	-	50	50
At December 31	<u>\$ -</u>	<u>\$ 18,294</u>	<u>\$ 18,294</u>

C. The Group does not hold any collateral as security.

(3) Inventories

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 651,497	(\$ 94,626)	\$ 556,871
Work in process	32,474	(1)	32,473
Finished goods	3,480	(28)	3,452
Merchandise	23,836	(5,047)	18,789
	<u>\$ 711,287</u>	<u>(\$ 99,702)</u>	<u>\$ 611,585</u>

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 692,533	(\$ 135,822)	\$ 556,711
Work in process	81,955	(309)	81,646
Finished goods	10,567	(2,600)	7,967
Merchandise	83,378	(6,072)	77,306
	<u>\$ 868,433</u>	<u>(\$ 144,803)</u>	<u>\$ 723,630</u>

The inventories were not pledged.

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2015	2014
Cost of goods sold	\$ 2,189,530	\$ 3,148,748
Loss on obsolete inventory	20,347	19,958
	<u>\$ 2,209,877</u>	<u>\$ 3,168,706</u>

(Remainder of page intentionally left blank)

(4) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
<u>At January 1, 2015</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 379,158	\$ 6,431	\$ 146,157	\$ 106,642	\$ 2,725,947
Accumulated depreciation	-	(140,926)	(203,672)	(3,939)	(65,271)	(63,047)	(476,855)
	<u>\$ 1,166,021</u>	<u>\$ 780,612</u>	<u>\$ 175,486</u>	<u>\$ 2,492</u>	<u>\$ 80,886</u>	<u>\$ 43,595</u>	<u>\$ 2,249,092</u>
<u>2015</u>							
Opening net book amount	\$ 1,166,021	\$ 780,612	\$ 175,486	\$ 2,492	\$ 80,886	\$ 43,595	\$ 2,249,092
Additions	-	-	8,903	-	7,087	8,825	24,815
Transfer from inventory	-	-	34,954	-	22,299	3,223	60,476
Disposals	-	-	(15,117)	(334)	(618)	(489)	(16,558)
Depreciation charge	-	(18,182)	(47,016)	(510)	(23,318)	(9,986)	(99,012)
Net exchange differences	-	-	(1,692)	(159)	(250)	(2,040)	(4,141)
Closing net book amount	<u>\$ 1,166,021</u>	<u>\$ 762,430</u>	<u>\$ 155,518</u>	<u>\$ 1,489</u>	<u>\$ 86,086</u>	<u>\$ 43,128</u>	<u>\$ 2,214,672</u>
<u>At December 31, 2015</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 356,342	\$ 5,457	\$ 162,401	\$ 107,090	\$ 2,718,849
Accumulated depreciation	-	(159,108)	(200,824)	(3,968)	(76,315)	(63,962)	(504,177)
	<u>\$ 1,166,021</u>	<u>\$ 762,430</u>	<u>\$ 155,518</u>	<u>\$ 1,489</u>	<u>\$ 86,086</u>	<u>\$ 43,128</u>	<u>\$ 2,214,672</u>

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
<u>At January 1, 2014</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 338,171	\$ 5,482	\$ 130,669	\$ 87,714	\$ 2,649,595
Accumulated depreciation	-	(122,744)	(165,954)	(3,977)	(50,222)	(50,103)	(393,000)
	<u>\$ 1,166,021</u>	<u>\$ 798,794</u>	<u>\$ 172,217</u>	<u>\$ 1,505</u>	<u>\$ 80,447</u>	<u>\$ 37,611</u>	<u>\$ 2,256,595</u>
<u>2014</u>							
Opening net book amount	\$ 1,166,021	\$ 798,794	\$ 172,217	\$ 1,505	\$ 80,447	\$ 37,611	\$ 2,256,595
Additions	-	-	4,438	1,577	4,906	14,894	25,815
Transfer from inventory	-	-	40,391	-	13,332	2,857	56,580
Disposals	-	-	(5,620)	(142)	(102)	(5)	(5,869)
Depreciation charge	-	(18,182)	(42,373)	(483)	(18,785)	(12,082)	(91,905)
Net exchange differences	-	-	6,433	35	1,088	320	7,876
Closing net book amount	<u>\$ 1,166,021</u>	<u>\$ 780,612</u>	<u>\$ 175,486</u>	<u>\$ 2,492</u>	<u>\$ 80,886</u>	<u>\$ 43,595</u>	<u>\$ 2,249,092</u>
<u>At December 31, 2014</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 379,158	\$ 6,431	\$ 146,157	\$ 106,642	\$ 2,725,947
Accumulated depreciation	-	(140,926)	(203,672)	(3,939)	(65,271)	(63,047)	(476,855)
	<u>\$ 1,166,021</u>	<u>\$ 780,612</u>	<u>\$ 175,486</u>	<u>\$ 2,492</u>	<u>\$ 80,886</u>	<u>\$ 43,595</u>	<u>\$ 2,249,092</u>

A. Each property, plant and equipment does not include significant components.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(5) Other payables

	December 31,	
	2015	2014
Salaries and bonus payable	\$ 179,144	\$ 224,814
Directors' and supervisors' remuneration and employees' bonus payable	54,295	56,665
Others	78,123	67,029
	<u>\$ 311,562</u>	<u>\$ 348,508</u>

(6) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued 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. Pension benefits are based on the number of units accrued and 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 Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31,	
	2015	2014
Present value of funded obligations	\$ 96,684	\$ 88,447
Fair value of plan assets	(42,786)	(39,149)
Net defined benefit liability	<u>\$ 53,898</u>	<u>\$ 49,298</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
Balance at January 1	\$ 88,447	(\$ 39,149)	\$ 49,298
Current service cost	12	-	12
Interest expense (income)	1,805	(785)	1,020
	<u>90,264</u>	<u>(39,934)</u>	<u>50,330</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(346)	(346)
Change in financial assumptions	3,293	-	3,293
Experience adjustments	3,127	-	3,127
	<u>6,420</u>	<u>(346)</u>	<u>6,074</u>
Pension fund contribution	-	(2,506)	(2,506)
Balance at December 31	<u>\$ 96,684</u>	<u>(\$ 42,786)</u>	<u>\$ 53,898</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2014</u>			
Balance at January 1	\$ 86,700	(\$ 35,942)	\$ 50,758
Current service cost	13	-	13
Interest expense (income)	1,734	(719)	1,015
	<u>88,447</u>	<u>(36,661)</u>	<u>51,786</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	-	-	-
Experience adjustments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Pension fund contribution	-	(2,488)	(2,488)
Balance at December 31	<u>\$ 88,447</u>	<u>(\$ 39,149)</u>	<u>\$ 49,298</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed,

over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

(e) The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	1.70%	2.00%
Future salary increases	3.00%	3.00%

For the years ended December 31, 2015 and 2014, assumptions regarding future mortality rate were estimated in accordance with the 5th version of Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 10,405)	\$ 12,175	\$ 10,840	(\$ 9,531)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2015 and during 2014 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 are \$2,457.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. 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 benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The subsidiaries, DOLI, TIL, TRU, TRE, TRJ and TRM, have no pension plan, and its local laws have no compulsory requirements on the establishment of a pension plan. However, the subsidiaries, TRI ELECTRONIC (SHENZHEN) LIMITED, TRI ELECTRONIC (SUZHOU) LIMITED and TRI ELECTRONIC (SHANGHAI) LIMITED, have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 amounted to \$20,105 and \$18,929, respectively.

(7) Share capital

The Company's authorized capital was \$2,500,000. As of December 31, 2015, the Company's outstanding capital was \$2,362,160.

(8) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(9) 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 50% of the total dividends distributed. However, it shall be raised to 100% of the total dividends distributed as the Company's capital expenditure is low or its capital is sufficient. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall be set aside in accordance with the Securities and Exchange Act. The remainder, if any, along with accumulated unappropriated earnings of prior years, to be appropriated as bonus to shareholders shall be proposed by the Board of Directors and resolved by the shareholders.

- B. The appropriations of 2014 and 2013 earnings had been resolved at the stockholders' meeting on June 2, 2015 and June 6, 2014, respectively. Details are summarized below:

	Year ended December 31,			
	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 126,040	-	\$ 80,630	-
Cash dividends	1,015,729	\$ 4.3	779,513	\$ 3.3
	<u>\$ 1,141,769</u>		<u>\$ 860,143</u>	

As approved by the stockholders, the appropriations for employees' bonus for 2014 and 2013 were \$45,305 and \$28,956, respectively, and directors' and supervisors' remuneration for 2014 and 2013 were \$11,360 and \$7,240, respectively. Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- C. The appropriations of 2015 earnings had been proposed by the Board of Directors on March 2, 2016. Details are summarized below:

	Year ended December 31, 2015	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 99,890	-
Cash dividends	944,864	\$ 4.0
	<u>\$ 1,044,754</u>	

As of the report date, the abovementioned appropriations of 2015 earnings had not been resolved by the stockholders.

- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in-capital.
- E. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(14).

(10) Operating revenue

	Years ended December 31,	
	2015	2014
Sales revenue	\$ 4,623,043	\$ 5,777,686
Services revenue	131,346	91,863
	<u>\$ 4,754,389</u>	<u>\$ 5,869,549</u>

(11) Other income

	Years ended December 31,	
	2015	2014
Interest income from bank deposits	\$ 16,237	\$ 15,402
Rental income	706	1,725
Other income	17,356	31,070
	<u>\$ 34,299</u>	<u>\$ 48,197</u>

(12) Other gains and losses

	Years ended December 31,	
	2015	2014
Net currency exchange gain	\$ 65,671	\$ 87,696
(Loss) gain on disposal of property, plant and equipment	(1,488)	3,180
Other losses	(2,809)	(18,237)
	<u>\$ 61,374</u>	<u>\$ 72,639</u>

(13) Expenses by nature

	Years ended December 31,	
	2015	2014
Employee benefit expense	\$ 827,437	\$ 873,298
Depreciation charges on property, plant and equipment	99,012	91,905
Amortisation charges on intangible assets	6,482	5,309
	<u>\$ 932,931</u>	<u>\$ 970,512</u>

(14) Employee benefit expense

	Years ended December 31,	
	2015	2014
Wages and salaries	\$ 708,487	\$ 768,294
Labour and health insurance fees	66,313	64,067
Pensions costs	21,137	19,957
Other personnel expenses	31,500	20,980
	<u>\$ 827,437</u>	<u>\$ 873,298</u>

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after considering payment of taxes and appropriation of legal reserve and special reserve, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall be 1%~3% for directors' and supervisors' remuneration.

However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee compensation, based on the profit of the current year distributable, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on October 28, 2015. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

- B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$45,103 and \$45,305, respectively; while directors' and supervisors' remuneration was accrued at \$9,192 and \$11,360, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on a certain percentage of profit of current year distributable for the year ended December 31, 2015. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$45,103 and \$9,192, and the employees' compensation will be distributed in the form of cash.

The expenses recognised for 2014 were accrued based on the net income of 2014 and a certain

percentage for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. Employees' bonus and directors' and supervisors' remuneration of 2014 as resolved by the shareholders during their meeting were in agreement with those amounts recognised in the profit or loss for 2014.

Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as resolved by the board of directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(15) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2015	2014
Current tax:		
Current tax on profits for the year	\$ 207,362	\$ 222,751
Adjustments in respect of prior years	31,901	-
Tax on unappropriated earnings	11,863	-
Total current tax	251,126	222,751
Deferred tax:		
Origination and reversal of temporary differences	(3,738)	(6,444)
Income tax expense	<u>\$ 247,388</u>	<u>\$ 216,307</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2015	2014
Currency translation differences	(\$ 2,326)	\$ 3,351
Remeasurement of defined benefit obligations	(1,033)	-
	<u>(\$ 3,359)</u>	<u>\$ 3,351</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 226,373	\$ 247,109
Effect from investment tax credits	(22,749)	(30,802)
Under provision of prior year's income tax	31,901	-
Additional 10% tax on undistributed earnings	11,863	-
Income tax expense	<u>\$ 247,388</u>	<u>\$ 216,307</u>

C. Deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	Year ended December 31, 2015				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences					
Accrued warranty	\$ 2,442	\$ 591	\$ -	\$ -	\$ 3,033
Unrealised gross profit	20,770	(1,619)	-	-	19,151
Allowance for inventory obsolescence	22,343	(7,039)	-	-	15,304
Provision for rework	670	(37)	-	-	633
Accrued pension liabilities	8,381	(251)	-	-	8,130
Unpaid annual leave	2,714	183	-	-	2,897
Remeasurement of defined benefit obligations	-	-	1,033	-	1,033
Others	82	-	-	-	82
Loss carryforward	<u>2,727</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>2,828</u>
	<u>60,129</u>	<u>(8,071)</u>	<u>1,033</u>	<u>-</u>	<u>53,091</u>
Deferred tax liabilities:					
Temporary differences					
Unrealised exchange gain	(5,400)	3,369	-	-	(2,031)
Investment income	(58,077)	8,493	-	-	(49,584)
Currency translation	(13,811)	-	2,326	-	(11,485)
Others	(60)	(53)	-	-	(113)
	<u>(77,348)</u>	<u>11,809</u>	<u>2,326</u>	<u>-</u>	<u>(63,213)</u>
	<u>(\$ 17,219)</u>	<u>\$ 3,738</u>	<u>\$ 3,359</u>	<u>\$ -</u>	<u>(\$ 10,122)</u>

Year ended December 31, 2014					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences					
Accrued warranty	\$ 2,072	\$ 370	\$ -	\$ -	\$ 2,442
Unrealised gross profit	12,998	7,772	-	-	20,770
Allowance for inventory obsolescence	20,825	1,518	-	-	22,343
Provision for rework	645	25	-	-	670
Accrued pension liabilities	8,629	(248)	-	-	8,381
Unpaid annual leave	2,521	193	-	-	2,714
Others	82	-	-	-	82
Loss carryforward	2,568	159	-	-	2,727
	<u>50,340</u>	<u>9,789</u>	<u>-</u>	<u>-</u>	<u>60,129</u>
Deferred tax liabilities:					
Temporary differences					
Unrealised exchange gain	(900)	(4,500)	-	-	(5,400)
Investment income	(59,232)	1,155	-	-	(58,077)
Currency translation	(10,460)	-	(3,351)	-	(13,811)
Others	(60)	-	-	-	(60)
	<u>(70,652)</u>	<u>(3,345)</u>	<u>(3,351)</u>	<u>-</u>	<u>(77,348)</u>
	<u>(\$ 20,312)</u>	<u>\$ 6,444</u>	<u>(\$ 3,351)</u>	<u>\$ -</u>	<u>(\$ 17,219)</u>

D. The subsidiary, TEST RESEARCH USA, INC.'s, expiration dates of unused net operating loss carryforward and unrecognised deferred tax assets are as follows:

December 31, 2015			
Year incurred	Amount filed/ assessed	Unrecognised deferred tax assets	Usable until
2002~2009	\$ 56,492	\$ 11,413	Gradually expires during 2017~2030

December 31, 2014			
Year incurred	Amount filed/ assessed	Unrecognised deferred tax assets	Usable until
2002~2009	\$ 29,021	\$ 2,568	Gradually expires during 2017~2030

E. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

F. The Company's income tax return for 2009 and undistributed earnings tax through 2008 have been assessed and approved by the Tax Authority in April 2015. The Company was assessed with additional tax payable of \$1,966 and accordingly, the Company has recognised the additional tax liability as "Income tax expense".

- G. In May 2015, the Tax Authority has assessed the Company with additional tax payable of \$20,613 on its income tax for 2010 and tax on unappropriated earnings for 2009, and the amount was recognised as “income tax expense”.
- H. In August 2015, the Tax Authority has assessed the Company with additional tax payable of \$24,823 on its income tax for 2011 and tax on unappropriated earnings for 2010, and the amount was recognised as “income tax expense”.
- I. In December 2015, the Tax Authority has assessed the Company with additional tax payable of \$12,749 on its income tax for 2013 and tax on unappropriated earnings for 2012, and the amount was recognised as “income tax expense” and “current income tax liabilities”.
- J. The applicable income tax rate of the Company’s indirect subsidiaries, TRI Electronic (Shenzhen) Limited, TRI Electronic (Suzhou) Limited and TRI Electronic (Shanghai) Limited, is 25% in accordance with the Law of the People's Republic of China on Enterprise Income Tax and related policy notifications.
- K. The Company’s subsidiaries, TEST RESEARCH USA, INC., TRI TEST RESEARCH EUROPE GMBH, TRI JAPAN CORPORATION and TRI MALAYSIA SND. BHD pay income tax based on local tax rates. The deductible amount of loss carryforward of TEST RESEARCH USA, INC. is calculated based on the laws of U.S. Federal Government and California State Government, and income tax rate was 34% and 8.84%, respectively.
- L. The Company’s subsidiaries, DOLI TRADING LIMITED and TRI INVESTMENTS LIMITED are exempted from income tax in accordance with the British Virgin Islands and Western Samoa local laws, respectively.
- M. Undistributed earnings:

	December 31,	
	2015	2014
Earnings generated in and before 1997	\$ 270	\$ 270
Earnings generated in and after 1998	2,338,154	2,486,061
	<u>\$ 2,338,424</u>	<u>\$ 2,486,331</u>

- N. Details of imputation tax system:

	December 31,	
	2015	2014
(a) Balance of imputation tax credit account (ICA)	<u>\$ 418,064</u>	<u>\$ 329,875</u>
	2015 (Estimated)	2014 (Actual)
(b) Creditable tax ratio	<u>17.88%</u>	<u>18.46%</u>

(16) Earnings per share

A. Basic earnings per share

Basic earnings per share refer to profit or loss attributable to common shareholders of the parent divided by outstanding weighted average number of common shares.

B. Diluted earnings per share

Diluted earnings per share considers the effect of all dilutive potential common shares, and adjustment to the amount attributable to common shareholders of the parent and calculation of weighted average number of outstanding shares.

	Year ended December 31, 2015		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 998,903	236,216	<u>\$ 4.23</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	950	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 998,903</u>	<u>237,166</u>	<u>\$ 4.21</u>

Year ended December 31, 2014			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,260,396	236,216	<u>\$ 5.34</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	926	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,260,396</u>	<u>237,142</u>	<u>\$ 5.31</u>

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.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company shares are widely held. The Company does not have an ultimate parent and ultimate controlling party.

(2) Key management compensation

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	\$ 22,613	\$ 26,852
Termination benefits	306	304
	<u>\$ 22,919</u>	<u>\$ 27,156</u>

A. Salaries and other short-term employee benefits include regular wages, special responsibility

allowances, various bonuses, service execution fees, directors' and supervisors' remuneration and employees' bonuses, etc.

B. Termination benefits represents pension costs.

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2015	December 31, 2014	
Property, plant and equipment			
— Land	\$ 388,990	\$ 388,990	Security for lines of credit
— Buildings	58,506	60,099	"
Time deposits (shown under "other current assets")	6,064	6,182	Performance bond
	<u>\$ 453,560</u>	<u>\$ 455,271</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2015, the future aggregate rental payables for the lease of offices under operating lease are as follows:

Payment duration	Total rental payables
2016	\$ 5,298
2017	5,573
2018	5,573
2019 and after	3,019
	<u>\$ 19,463</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Except for the matters described in Note 6(9)(c), no other significant subsequent events have occurred.

12. OTHERS

(1) Capital management

The Group's main objectives when managing capital are to ensure solid and good capital ratio in order to support operations and to provide maximum returns for shareholders. The Group manages and adjusts capital structure based on economic situations and debt ratio, and achieves the purpose of maintaining and adjusting capital structure possibly by adjusting dividend payment or shares issuance.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, notes payable, accounts payable and other payables) are approximate to their fair values.

B. Financial risk management policies

The Group 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 Group'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.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit of loss	Effect on other comprehensive income
(Foreign currency: functional (currency))						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 44,707	32.83	\$ 1,467,507	1%	\$ 14,675	\$ -
USD:RMB	1,535	6.57	50,386	1%	504	-
RMB:NTD	109,270	5.00	545,804	1%	5,458	-
<u>Non-monetary items</u>						
USD:NTD	219	32.83	7,189	1%	-	72
EUR:NTD	467	35.88	16,756	1%	-	168
JPY:NTD	35,617	0.27	9,713	1%	-	97
RMB:NTD	111,203	5.00	555,459	1%	-	5,555
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,877	32.83	\$ 521,163	1%	\$ 5,212	\$ -
RMB:NTD	59,669	5.00	298,047	1%	2,980	-

December 31, 2014

				Sensitivity Analysis		
	Foreign currency amount		Book value	Degree of	Effect on profit	Effect on other
	(in thousands)	Exchange rate	(NTD)	variation	of loss	comprehensive income
(Foreign currency: functional (currency))						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 41,282	31.65	\$ 1,306,575	1%	\$ 13,066	\$ -
RMB:NTD	48,375	5.09	246,326	1%	2,463	-
<u>Non-monetary items</u>						
USD:NTD	645	31.65	20,414	1%	-	204
EUR:NTD	398	38.47	15,311	1%	-	153
RMB:NTD	105,336	5.09	536,371	1%	-	5,364
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,267	31.65	\$ 483,201	1%	\$ 4,832	\$ -
USD:RMB	2,995	6.22	18,629	1%	186	-
RMB:NTD	21,814	5.09	111,077	1%	1,111	-

iii. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

Year ended December 31, 2015			
Exchange gain (loss) (Note)			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(in thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	32.83	\$ 35,196
RMB:NTD	-	5.00	(640)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	32.83	(\$ 2,634)
RMB:NTD	-	5.00	(1,285)

Note: The amount is the unrealised exchange gain (loss).

Year ended December 31, 2014			
Exchange gain (loss) (Note)			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(in thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	31.65	\$ 56,538
RMB:NTD	-	5.09	6,505
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	31.65	(\$ 16,739)
RMB:NTD	-	5.09	(3,232)

Note: The amount is the unrealised exchange gain (loss).

Price risk

The Group has no equity instruments held for trading; thus, the Group has no price risk.

Interest rate risk

The Group has no borrowings; thus, the Group has no interest rate risk.

(b) Credit risk

- i. The Group has strict credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Group's credit rights and thereby mitigate credit risk. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is described in Note 6(2).
- iv. The ageing analysis of financial assets that were past due but not impaired, and the individual analysis of financial assets that had been impaired are described in Note 6(2).

(c) Liquidity risk

- i. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2015</u>				
Notes payable	\$ 22,507	\$ -	\$ -	\$ -
Accounts payable	365,128	-	-	-
Other payables	311,562	-	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2014</u>				
Notes payable	\$ 22,513	\$ -	\$ -	\$ -
Accounts payable	405,005	-	-	-
Other payables	348,508	-	-	-

(3) Fair value estimation

The Group has no financial instruments measured at fair value by valuation method.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information:

- A. Loan to others: Please refer to table 1.
- B. Provisions of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investments

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The businesses of the Group are mainly divided into two parts: Board tester and Semiconductor tester.

Circuit board inspection department manufactures equipment that can precisely detect those bad parts on circuit boards to elevate the quality of manufacturing process of circuit boards.

Semiconductor testing department manufactures wafer testing and related finished goods testing equipment to check whether IC meets qualified standards.

(2) Measurement of segment information

The accounting policies of the operating segments and the Group are the same. The Group uses the operating profit as the measurement for operating segment profit and the basis of performance assessment.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Year ended December 31, 2015</u>				
	Board Tester	Semiconductor Tester		Total
Revenue from external customers	\$ 4,667,443	\$ 86,946	\$	4,754,389
Segment profit	1,161,627	(11,009)		1,150,618
Segment profit includes:				
Depreciation and amortisation	103,565	1,929		105,494
<u>Year ended December 31, 2014</u>				
	Board Tester	Semiconductor Tester		Total
Revenue from external customers	\$ 5,779,660	\$ 89,889	\$	5,869,549
Segment profit	1,343,438	12,544		1,355,982
Segment profit includes:				
Depreciation and amortisation	93,908	3,306		97,214

(4) Reconciliation for segment income (loss)

Net profit (loss) of segments reported to the chief operating decision-maker is measured in a manner consistent with revenues and expenses in the income statement. Amounts of total assets and total liabilities of segments are not provided to the chief operating decision-maker to make strategic decisions. A reconciliation of segment profit (loss) to profit (loss) before tax and discontinued operations is provided as follows:

	Years ended December 31,	
	2015	2014
Reportable segments profit	\$ 1,150,618	\$ 1,355,982
Unallocated profit or loss:		
Non-operating income and expenses	95,673	120,721
Profit before tax from continuing operations	<u>\$ 1,246,291</u>	<u>\$ 1,476,703</u>

(5) Information on product and service

Revenues from external customers are mainly from sales of Board tester and Semiconductor tester, and the components of revenues are as follows:

	Years ended December 31,	
	2015	2014
Sales revenue		
Board Tester	\$ 4,516,274	\$ 5,691,717
Semiconductor Tester	84,097	85,787
Maintenance income		
Board Tester	151,169	87,943
Semiconductor Tester	2,849	4,102
	<u>\$ 4,754,389</u>	<u>\$ 5,869,549</u>

(6) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	As of and for the year ended December 31, 2015		As of and for the year ended December 31, 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 551,870	\$ 2,080,337	\$ 506,044	\$ 2,097,121
China	3,036,236	142,595	4,145,861	157,613
USA	399,353	758	494,898	877
Others	766,930	2,021	722,746	3,013
	<u>\$ 4,754,389</u>	<u>\$ 2,225,711</u>	<u>\$ 5,869,549</u>	<u>\$ 2,258,624</u>

The Group allocates the revenues on the basis of the customers' location by country or area.

(7) Major customer information

Sales to customers constituting more than 10 percent of the Group's total sales revenue in consolidated statements of comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

<u>Customer</u>	<u>Year ended December 31, 2015</u>		<u>Year ended December 31, 2014</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
F	\$ 627,664	Board Tester	\$ 2,368,645	Board Tester

Test Research, Inc. and Subsidiaries

Loans to others

Year ended December 31, 2015

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the	Balance at December 31, 2015	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 2)	Footnote
					year ended December 31, 2015								Item	Value			
1	TRI Electronic (Shenzhen) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	\$ 51,760	\$ 49,950	\$ 49,950	6%	Short-term financing	\$ -	Additional operating capital	\$ -	None	\$ -	\$ 49,950	\$ 157,792	-

Note 1: The Board of Directors during its meeting on November 8, 2013 adopted a resolution to set rules for “Procedures for Capital Lending to Others” of TRI Electronic (Shenzhen) Limited whereby the maximum amount for lending to individual is CNY\$10 million.

Note 2: The Board of Directors during its meeting on November 8, 2013 adopted a resolution to set rules for “Procedures for Capital Lending to Others” of TRI Electronic (Shenzhen) Limited whereby the maximum amount of short-term financing necessary to lend to others shall not exceed 30% of net assets in the most recent financial statements.

Test Research, Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2015

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transactions				Differences in transaction term compared to third party transactions		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Test Research, Inc.	DOLI TRADING LIMITED	Subsidiary	Sales	\$ 2,061,120	49%	The collection terms are 90-120 days, and are similar to third parties.	If the purchases from TRI will be resold to the indirect 100% owned companies of TRI, the price is 40%-70% of standard prices; otherwise, the price is 94% of final sales price.	The collection terms are 90-120 days, and are similar to third parties.	Accounts receivable \$ 725,562	62%	None
DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	Same ultimate parent company	Sales	462,915	21%	The collection terms are 90-120 days, and are similar to third parties.	The price is 40%-70% of standard prices.	The collection terms are 90-120 days, and are similar to third parties.	Accounts receivable \$ 114,845	14%	None
DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	Same ultimate parent company	Sales	109,642	5%	The collection terms are 90-120 days, and are similar to third parties.	The price is 40%-70% of standard prices.	The collection terms are 90-120 days, and are similar to third parties.	Accounts receivable \$ 112,068	13%	None
DOLI TRADING LIMITED	Test Research, Inc.	Parent company	Purchases	2,061,120	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 \$ 725,562	100%	None
TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Purchases	462,915	82%	The payment terms are 90-120 days.	The price is determined by TRI, the final counterparty is TRI.	The payment terms are 90-120 days.	Accounts payable \$ 114,845	72%	None
TRI Electronic (Suzhou) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Purchases	109,642	92%	The payment terms are 90-120 days.	The price is determined by TRI, the final counterparty is TRI.	The payment terms are 90-120 days.	Accounts payable \$ 112,068	92%	None

Test Research, Inc. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2015

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note)	Allowance for doubtful accounts
					Amount	Action taken		
Test Research, Inc.	DOLI TRADING LIMITED	A company accounted for using equity method	\$ 725,562	3.47	\$ -	-	\$ 380,786	\$ -
DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	Same ultimate parent company	114,845	4.83	-	-	36,376	-
DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	Same ultimate parent company	112,068	1.02	-	-	8,303	-

Note: The subsequent collections were received prior to the opinion date.

Test Research, Inc. and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2015

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms (Note 4)	
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Sales revenue	2,061,120	Note 3	43
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	"	13,897	"	1
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	Miscellaneous income	11,829	Note 7	1
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Accounts receivable	725,562	Note 3	11
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	"	19,374	"	1
0	Test Research, Inc.	TEST RESEARCH USA INC.	1	Agency expenses	24,915	Note 6	1
0	Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	1	"	30,025	"	1
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	"	38,303	"	1
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	2	Sales revenue	462,915	Note 3	10
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	2	"	109,642	"	2
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	2	Accounts receivable	114,845	"	2
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	2	"	112,068	"	2
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	2	Agency expenses	106,235	Note 6	2
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	2	"	40,419	"	1
2	TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	2	Accounts receivable	10,605	"	1
2	TRI Electronic (Shenzhen) Limited	TRI Electronic (Suzhou) Limited	2	Other receivables	49,950	Note 5	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following two categories:

(1) Parent company to subsidiary and second-tier subsidiary.

(2) Consolidated subsidiary to indirect wholly-owned subsidiary.

Note 3: The purchases from the Company will be resold to the indirect 100% owned companies of TRI, and the price is 40%-70% of standard prices; otherwise, the price is 94% of final sales price. The collection terms are 90-120 days and are similar to third parties.

Note 4: Only related party transactions in excess of \$10,000 are disclosed. Corresponding transactions from the other side are not disclosed.

Note 5: The amount refers to other receivables from TRI Electronic (Shenzhen) Limited from lending capital to TRI Electronic (Suzhou) Limited.

Note 6: Companies signed agency agreements with subsidiaries, and the subsidiaries act as product sales agent.

Note 7: The amount refers to miscellaneous income arising from the parent company's purchase on behalf of TRI Japan Corporation, and the price and collection terms are similar to third parties, which is 90-130 days.

Test Research, Inc. and Subsidiaries
Information on investees
Year ended December 31, 2015

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value			
Test Research, Inc.	TRI INVESTMENTS LIMITED	Samoa	Investment holdings	\$ 219,811	\$ 219,811	6,724,109	100	\$ 555,577	\$ 24,993	\$ 24,475	None
Test Research, Inc.	DOLI TRADING LIMITED	British Virgin Islands	Trading	131,973	131,973	801	100	103,343 (	68,533) (	65,087)	Note 2
Test Research, Inc.	TEST RESEARCH USA, INC.	United States	Trading	30,297	30,297	1,018,935	100	7,200 (	13,495) (	13,495)	None
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	Germany	Trading	17,679	17,679	-	100	16,770	2,443	2,443	Note 1
Test Research, Inc.	TRI JAPAN CORPORATION	Japan	Trading	10,750	10,750	720	100	9,713 (	395) (	395)	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	2,066	2,066	500,000	100	8,634	1,586	1,586	None

Note 1: A limited liability company.

Note 2: The investment loss included the elimination of intercompany transactions.

Test Research, Inc. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 (Note 3)	Net income of investee for the year ended December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2015 (Note 2(2)C.)	Book value of investments in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Foot note
					Remitted to Mainland China	Remitted back to Taiwan							
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	\$ 100,116	Note 1.(2) (TRI INVESTMENTS LIMITED)	\$ 24,619	\$ -	\$ -	\$ 24,619	\$ 58,771	100	\$ 58,771	\$ 467,212	-	
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	84,981	Note 1.(2) (TRI INVESTMENTS LIMITED)	65,650	-	-	65,650	(12,348)	100	(12,348)	15,989	-	
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	128,018	Note 1.(2) (TRI INVESTMENTS LIMITED)	128,018	-	-	128,018	(21,430)	100	(21,430)	72,258	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 (Note 3)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Test Research, Inc.	\$ 218,287	\$ 292,599	\$ 3,411,148

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2015' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A.The financial statements are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B.The financial statements are audited and attested by R.O.C. parent company's CPA.
 - C.Others.

Note 3: The amount was originally denominated in USD and was translated to NTD at the exchange rate (1:32.825) prevailing at the balance sheet date.

Note 4: The highest of \$80,000, 60% of the stockholder's equity and 60% of consolidated net assets.

Test Research, Inc. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2015

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31,	
	Amount	%	Amount	%	Balance at December 31, 2015	%	Balance at December 31, 2015	Purpose	Maximum balance during the year ended December 31, 2015	Balance at December 31, 2015	Interest rate	2015	Others (Note)
TRI Electronic (Shenzhen) Limited	\$ 468,964	10	\$ -	-	\$ 114,845	2	\$ -	-	\$ -	-	-	\$ -	\$ 144,538
TRI Electronic (Suzhou) Limited	118,266	2	-	-	131,443	2	-	-	-	-	-	-	48,250

Note: Represents agency expenses, warranty expenses and expenses on purchases made by related parties on behalf of the Company.