TEST RESEARCH, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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 16003319

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

Opinion

We have audited the accompanying consolidated balance sheets of Test Research, Inc. and its subsidiaries (the "Group") as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to "***other matter***"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the Independent Accountant's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Evaluation of inventories

Description

Please refer to Note 4(10) for accounting policies adopted for the evaluation of inventories, Note 5 for critical accounting estimates and assumptions of the evaluation of inventories, and Note 6(3) for details of significant accounts in inventories. As of December 31, 2016, inventory and allowance for valuation losses are NT$619,146 thousand and NT$87,434 thousand, respectively.

The Group is primarily engaged in the design, manufacture, sale, repairs and maintenance of semiconductor testers and in-circuit testers, and inventories are stated at the lower of cost and net realisable value. Management considers the rapidly changing technology and the short life cycle of electronic products in evaluating inventories. For inventories that are over certain aging and individually identified obsolete or slow-moving items, the net realizable value is determined based on inventory aging and the market demand of such items in the future for a specific period, which are based on sales, obsolescence and the inventory quality. As the amount of inventory is significant, inventory items are numerous, and the evaluation of inventory requires critical judgement and a high degree of uncertainty in estimation, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

Our audit procedures performed in respect of the above included the following:

1. Understood the industry and operations of the Group, and assessed the reasonableness of accounting policies applied in the evaluation of inventory provision.
2. Understood the inventory management processes, examined the annual physical count plan, and performed physical inventory observation to assess the effectiveness of judgement and control of obsolete or slow-moving inventory.
3. Obtained inventory aging report, and tested movements to confirm whether they were assigned to the correct aging category by the system and were in accordance with the Group’s accounting policy.
4. Analysed and compared the difference of inventory valuation losses between the latest two years and

examined the difference between the historical record of allowance for inventory valuation losses and the actual write off amount; and selected samples from details of inventory valuation losses, checked changes incurred after the balance sheet date and assessed the propriety of inventory valuation losses.

Cut-off of export revenue recognition

Description

For accounting policies adopted for revenue recognition, please refer to Note 4(21).

The Group recognises export revenue in accordance with the terms of the transaction with the customer. The export revenue constitutes more than 80% of consolidated operating revenue and the period of revenue recognition is based on transaction terms of different customers. However, timing of revenue recognition may be based on management judgement depending on past experience, thus revenue may not be recorded in the proper period. Thus, we consider the cut-off of export revenue recognition a key audit matter.

How our audit addressed the matter

Our audit procedures performed in respect of the above included the following:

1. Understood and assessed the effectiveness of export revenue recognition control processes.
2. Obtained detailed listing of export sales within the defined period before and after period end, selected samples and assessed the completeness by agreeing the sale to supporting documentation (such as export bill of lading and proof of delivery) to ascertain whether the sale was recorded in proper period.

Other matter - Audits of the other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$33,945 thousand and NT$31,695 thousand, both constituting 1% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenue 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.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Test Research, Inc. as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Pan, Hui-Lin Liao, A-Shen

for and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2017

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 (CONTINUED)
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT		December 31, 2015 AMOUNT	
	Current assets					
1100	Cash and cash equivalents	6(1)	$	1,727,314	$	2,171,175
1150	Notes receivable, net			37,269		64,131
1170	Accounts receivable, net	6(2)		1,185,421		1,455,486
1200	Other receivables			16,894		26,006
130X	Inventory	6(3)		531,712		611,585
1470	Other current assets	8		21,793		33,058
11XX	**Total current assets**			3,520,403		4,361,441
	Non-current assets					
1600	Property, plant and equipment	6(4) and 8		2,183,004		2,214,672
1780	Intangible assets			8,048		10,321
1840	Deferred income tax assets	6(15)		52,574		53,091
1900	Other non-current assets			9,504		9,695
15XX	**Total non-current assets**			2,253,130		2,287,779
1XXX	**Total Assets**		$	5,773,533	$	6,649,220

(Continued)

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	December 31, 2015 AMOUNT
	Current liabilities			
2150	Notes payable		$ 15,896	$ 22,507
2170	Accounts payable		271,149	365,128
2200	Other payables	6(5)	208,204	311,562
2230	Current income tax liabilities		21,578	98,664
2300	Other current liabilities		17,207	27,433
21XX	**Total current liabilities**		534,034	825,294
	Non-current liabilities			
2550	Provisions for liabilities - non-current		19,264	21,569
2570	Deferred income tax liabilities	6(15)	36,689	63,213
2600	Other non-current liabilities	6(6)	54,287	53,898
25XX	**Total non-current liabilities**		110,240	138,680
2XXX	**Total Liabilities**		644,274	963,974
	Equity attributable to owners of parent			
	Share capital	6(7)		
3110	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		1,004,199	904,309
3320	Special reserve		14,381	14,381
3350	Unappropriated retained earnings	6(15)	1,721,032	2,338,424
	Other equity interest			
3400	Other equity interest		(25,803)	12,682
31XX	**Equity attributable to owners of the parent**		5,129,259	5,685,246
3XXX	**Total Equity**		5,129,259	5,685,246
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant subsequent events	11		
3X2X	**Total Liabilities and Equity**		$ 5,773,533	$ 6,649,220

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 22, 2017

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31	
			2016	2015
	Items	Notes	AMOUNT	AMOUNT
4000	**Operating revenue**	6(10)	$ 3,099,686	$ 4,754,389
5000	**Operating costs**	6(13)(14)	(1,404,300)	(2,219,681)
5950	**Net operating margin**		1,695,386	2,534,708
	Operating expenses	6(13)(14)		
6100	Selling expenses		(703,973)	(874,485)
6200	General and administrative expenses		(120,890)	(130,119)
6300	Research and development expenses		(325,806)	(379,486)
6000	**Total operating expenses**		(1,150,669)	(1,384,090)
6900	**Operating profit**		544,717	1,150,618
	Non-operating income and expenses			
7010	Other income	6(11)	28,954	34,299
7020	Other gains and losses	6(12)	(42,329)	61,374
7000	**Total non-operating revenue and expenses**		(13,375)	95,673
7900	**Profit before income tax**		531,342	1,246,291
7950	Income tax expense	6(15)	(102,124)	(247,388)
8200	**Profit for the year**		$ 429,218	$ 998,903
	Other comprehensive income			
	Components of other comprehensive loss that will not be reclassified to profit or loss			
8311	Remeasurement arising on defined benefit plans	6(6)	($ 1,856)	($ 6,074)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(15)	-	1,033
8310	**Components of other comprehensive loss that will not be reclassified to profit or loss**		(1,856)	(5,041)
	Components of other comprehensive loss that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		(46,367)	(13,682)
8399	Income tax relating to the components of other comprehensive income	6(15)	7,882	2,326
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(38,485)	(11,356)
8300	**Total other comprehensive loss for the year**		($ 40,341)	($ 16,397)
8500	**Total comprehensive income for the year**		$ 388,877	$ 982,506
	Profit attributable to:			
8610	Owners of parent		$ 429,218	$ 998,903
	Comprehensive income attributable to:			
8710	Owners of the parent		$ 388,877	$ 982,506
	Earnings per share (in dollars)	6(16)		
9750	**Basic earnings per share**		$ 1.82	$ 4.23
9850	**Diluted earnings per share**		$ 1.81	$ 4.21

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 22, 2017

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
			Capital Surplus		Retained Earnings				
	Notes	Common stock	Additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
2015									
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(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		$ 2,362,160	$ 51,874	$ 1,416	$ 904,309	$ 14,381	$ 2,338,424	$ 12,682	$ 5,685,246
2016									
Balance at January 1, 2016		$ 2,362,160	$ 51,874	$ 1,416	$ 904,309	$ 14,381	$ 2,338,424	$ 12,682	$ 5,685,246
Appropriations of 2015 earnings	6(9)								
Legal reserve		-	-	-	99,890	-	(99,890)	-	-
Cash dividends		-	-	-	-	-	(944,864)	-	(944,864)
Net income for the year		-	-	-	-	-	429,218	-	429,218
Other comprehensive loss for the year		-	-	-	-	-	(1,856)	(38,485)	(40,341)
Balance at December 31, 2016		$ 2,362,160	$ 51,874	$ 1,416	$ 1,004,199	$ 14,381	$ 1,721,032	($ 25,803)	$ 5,129,259

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 22, 2017

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 531,342	$ 1,246,291
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(13)	95,427	99,012
Amortization	6(13)	5,308	6,482
Reversal of provision for bad debt expense	6(2)	(3,654)	(545)
Interest income	6(11)	(9,510)	(16,237)
Loss on disposal of property, plant and equipment	6(12)	1,150	1,488
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		26,862	(31,319)
Accounts receivable		275,690	(330,578)
Other receivables		9,539	(11,357)
Inventory		18,649	57,344
Other current assets		8,426	(2,177)
Changes in operating liabilities			
Notes payable		(6,611)	(6)
Accounts payable		(93,979)	(39,877)
Other payables		(103,358)	(36,946)
Other current liabilities		(10,226)	23,280
Provisions for liabilities - non-current		(2,305)	3,264
Other non-current liabilities		(1,467)	(1,474)
Cash inflow generated from operations		741,283	966,645
Interest recieved		9,083	22,351
Income tax paid		(197,335)	(313,232)
Net cash flows from operating activities		553,031	675,764
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other financial assets		2,839	118
Acquisition of property, plant and equipment	6(4)	(30,386)	(24,815)
Proceeds from disposal of property, plant and equipment		11,621	15,070
Acquisition of intangible assets		(3,095)	(8,456)
Decrease in other non-current assets		191	1,740
Net cash flows used in investing activities		(18,830)	(16,343)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	6(9)	(944,864)	(1,015,729)
Net cash flows used in financing activities		(944,864)	(1,015,729)
Effect due to charges in exchange rate		(33,198)	(14,593)
Net decrease in cash and cash equivalents		(443,861)	(370,901)
Cash and cash equivalents at beginning of year		2,171,175	2,542,076
Cash and cash equivalents at end of year		$ 1,727,314	$ 2,171,175

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 22, 2017.

TEST RESEARCH, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(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 February 22, 2017.

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”)

None.

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date 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
Disclosure initiative (amendments to IAS 1)	January 1, 2016
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
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 above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment.

(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 IFRSs endorsed by the FSC effective from 2017 are as follow:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 ‘Financial instruments’with IFRS 4‘Insurance contracts’ (amendments to IFRS 4)	January 1, 2018
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
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Clarifications to IFRS 15, ‘Revenue from contracts with customers’ (amendments to IFRS 15)	January 1, 2018
IFRS 16, ‘Leases’	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ‘First-time adoption of international financial reporting	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the followings, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'revenue from contracts with customers' replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

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 defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

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 December 31, 2016	% of Ownership December 31, 2015	Description
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)	TRI ELECTRONIC (SHENZHEN) LIMITED (TRI (SHENZHEN))	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI ELECTRONIC (SUZHOU) LIMITED (TRI (SUZHOU))	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI ELECTRONIC (SHANGHAI) LIMITED (TRI (SHANGHAI))	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, 2016 and 2015 were audited by independent accountants. The total assets of these subsidiaries as of December 31, 2016 and 2015 were $33,945 and $31,695, both constituting 1% of the consolidated total assets, respectively. The total operating revenues were both $0 for the years then ended.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: 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

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:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

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) Notes receivable, accounts receivable and other receivables

Notes receivable and accounts receivable are receivables from selling merchandises or providing services to customers in the ordinary course of business. Other receivables are receivables that are not notes and accounts receivable. 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.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, on financial assets measured at amortised cost the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(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.

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	3～10 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 (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' compensation and directors' and supervisors' remuneration

Employees' compensation 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. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in 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.

(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 is addressed below:

Evaluation of inventories

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, 2016, the carrying amount of inventories was $531,712.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 1,168	$ 1,230
Checking accounts and demand deposits	1,026,146	1,286,780
Time deposits	200,000	433,165
Repurchase of bonds	500,000	450,000
	$ 1,727,314	$ 2,171,175

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. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

(2) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 1,196,817	$ 1,472,507
Less: allowance for bad debts	(11,396)	(17,021)
	$ 1,185,421	$ 1,455,486

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, 2016	December 31, 2015
Group 1	$ 424,073	$ 617,167
Group 2	440,141	369,369
	$ 864,214	$ 986,536

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:

	December 31, 2016	December 31, 2015
Up to 60 days	$ 218,214	$ 331,042
61 to 90 days	25,155	44,049
91 to 180 days	58,969	45,821
181 to 365 days	22,835	48,118
Over 366 days	7,430	16,941
	$ 332,603	$ 485,971

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired is as follows:

2016	Individual provision	Group provision	Total
At January 1	$ -	$ 17,021	$ 17,021
Reversal of impairment	-	(3,654)	(3,654)
Net exchange differences	-	(1,971)	(1,971)
At December 31	$ -	$ 11,396	$ 11,396

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	$ -	$ 17,021	$ 17,021

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

(3) Inventories

December 31, 2016	Cost	Allowance for valuation loss	Book value
Raw materials	$ 532,527	($ 84,257)	$ 448,270
Work in process	69,897	(1)	69,896
Finished goods	1,275	(85)	1,190
Merchandise	15,447	(3,091)	12,356
	$ 619,146	($ 87,434)	$ 531,712

	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
	$ 711,287	($ 99,702)	$ 611,585

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2016	2015
Cost of goods sold	$ 1,389,293	$ 2,188,414
Loss on obsolete inventory	3,114	20,347
Other	8	1,116
	$ 1,392,415	$ 2,209,877

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(4) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
At January 1, 2016							
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)
	$ 1,166,021	$ 762,430	$ 155,518	$ 1,489	$ 86,086	$ 43,128	$ 2,214,672
2016							
Opening net book amount	$ 1,166,021	$ 762,430	$ 155,518	$ 1,489	$ 86,086	$ 43,128	$ 2,214,672
Additions	-	-	12,583	647	6,698	10,458	30,386
Transfer from inventory	-	-	30,137	-	30,807	280	61,224
Disposals	-	-	(11,820)	(6)	(783)	(162)	(12,771)
Reclassifications	-	-		185	(367)	182	-
Depreciation charge	-	(18,147)	(35,588)	(610)	(27,682)	(13,400)	(95,427)
Net exchange differences	-	-	(13,894)	(91)	(315)	(780)	(15,080)
Closing net book amount	$ 1,166,021	$ 744,283	$ 136,936	$ 1,614	$ 94,444	$ 39,706	$ 2,183,004
At December 31, 2016							
Cost	$ 1,166,021	$ 921,538	$ 321,862	$ 5,996	$ 186,708	$ 117,785	$ 2,719,910
Accumulated depreciation	-	(177,255)	(184,926)	(4,382)	(92,264)	(78,079)	(536,906)
	$ 1,166,021	$ 744,283	$ 136,936	$ 1,614	$ 94,444	$ 39,706	$ 2,183,004

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
At January 1, 2015							
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)
	$ 1,166,021	$ 780,612	$ 175,486	$ 2,492	$ 80,886	$ 43,595	$ 2,249,092
2015							
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	$ 1,166,021	$ 762,430	$ 155,518	$ 1,489	$ 86,086	$ 43,128	$ 2,214,672
At December 31, 2015							
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)
	$ 1,166,021	$ 762,430	$ 155,518	$ 1,489	$ 86,086	$ 43,128	$ 2,214,672

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,	
	2016	2015
Salaries and bonus payable	$ 113,176	$ 179,144
Directors' and supervisors' remuneration and employees' compensation payable	23,144	54,295
Others	71,884	78,123
	$ 208,204	$ 311,562

(6) Pensions

A. Defined benefit plans

(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,	
	2016	2015
Present value of funded obligations	$ 99,861	$ 96,684
Fair value of plan assets	(45,574)	(42,786)
Net defined benefit liability	$ 54,287	$ 53,898

(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
Year ended December 31, 2016			
Balance at January 1	$ 96,684	($ 42,786)	$ 53,898
Current service cost	12	-	12
Interest expense (income)	1,644	(727)	917
	98,340	(43,513)	54,827
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	335	335
Change in financial assumptions	3,232	-	3,232
Experience adjustments	(1,711)	-	(1,711)
	1,521	335	1,856
Pension fund contribution	-	(2,396)	(2,396)
Balance at December 31	$ 99,861	($ 45,574)	$ 54,287

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 88,447	($ 39,149)	$ 49,298
Current service cost	12	-	12
Interest expense (income)	1,805	(785)	1,020
	90,264	(39,934)	50,330
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
	6,420	(346)	6,074
Pension fund contribution	-	(2,506)	(2,506)
Balance at December 31	$ 96,684	($ 42,786)	$ 53,898

(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, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

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

	2016	2015
Discount rate	1.40%	1.70%
Future salary increases	3.00%	3.00%

For the years ended December 31, 2016 and 2015, 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 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 2,703)	$ 2,808	$ 2,508	($ 2,432)

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
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 types of assumptions used for the preparation of sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 are $4,276.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	4,276
1-2 year(s)		4,265
2-5 years		10,170
Over 5 years		34,254
	$	52,965

B. Defined contribution plan

(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 (SHENZHEN), TRI (SUZHOU) and TRI (SHANGHAI), 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, 2016 and 2015 amounted to $20,569 and $20,105, respectively.

(7) <u>Share capital</u>

The Company's authorized capital was $2,500,000. As of December 31, 2016, the Company's outstanding capital was $2,362,160.

(8) <u>Capital surplus</u>

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 2015 and 2014 earnings had been resolved at the stockholders' meeting on June 3, 2016 and June 2, 2015, respectively. Details are summarized below:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 99,890		$ 126,040	
Cash dividends	$ 944,864	$ 4.0	$ 1,015,729	$ 4.3

C. The appropriations of 2016 earnings had been proposed by the Board of Directors on February 22, 2017. Details are summarized below:

	Year ended December 31, 2016	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 42,922	
Special reserve	$ 11,422	
Cash dividends	$ 708,648	$ 3.0

As of the report date, the abovementioned appropriations of 2016 earnings had not been resolved by the stockholders.

Information on the above as proposed 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.

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 and directors' and supervisors' remuneration, please refer to Note 6(14).

(10) Operating revenue

	Years ended December 31,	
	2016	2015
Sales revenue	$ 3,000,159	$ 4,623,043
Services revenue	99,527	131,346
	$ 3,099,686	$ 4,754,389

(11) Other income

	Years ended December 31,	
	2016	2015
Interest income from bank deposits	$ 9,510	$ 16,237
Rental income	535	706
Other income	18,909	17,356
	$ 28,954	$ 34,299

(12) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange (loss) gain	($ 29,518)	$ 65,671
Loss on disposal of property, plant and equipment	(1,150)	(1,488)
Other losses	(11,661)	(2,809)
	($ 42,329)	$ 61,374

(13) Expenses by nature

	Years ended December 31,	
	2016	2015
Employee benefit expense	$ 723,392	$ 828,207
Depreciation charges on property, plant and equipment	95,427	99,012
Amortisation charges on intangible assets	5,308	6,482
	$ 824,127	$ 933,701

(14) Employee benefit expense

	Years ended December 31,	
	2016	2015
Wages and salaries	$ 603,613	$ 708,487
Labour and health insurance fees	59,176	63,883
Pensions costs	21,498	21,137
Other personnel expenses	39,105	34,700
	$ 723,392	$ 828,207

A. According to the Articles of Incorporation of the Company, 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.

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $19,210 and $45,103, respectively; directors' and supervisors' remuneration was accrued at $3,934 and $9,192, 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 ratio of profit of current year distributable for the year ended December 31, 2016.

   The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors on February 22, 2017 were $19,216 and $3,928. Total employees' compensation and directors' and supervisors' remuneration distributed were in agreement with those amounts recognised in the financial statements, and the employees' compensation will be distributed in the form of cash. Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the Board of Directors on March 2, 2016 were in agreement with those amount recognised in the 2015 financial statements.

   Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Bond of Directors 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, 2016	Years ended December 31, 2015
Current tax:		
Current tax on profits for the year	$ 93,957	$ 207,362
Under provision of prior year's income tax	26,292	31,901
Tax on undistributed surplus earnings	-	11,863
Total current tax	120,249	251,126
Deferred tax:		
Origination and reversal of temporary differences	(18,125)	(3,738)
Income tax expense	$ 102,124	$ 247,388

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

	Years ended December 31, 2016	Years ended December 31, 2015
Currency translation differences	($ 7,882)	($ 2,326)
Remeasurement of defined benefit obligations	$ -	($ 1,033)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2016	Years ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 101,019	$ 226,373
Effect from tax credits of investment	(25,187)	(22,749)
Under provision of prior year's income tax	26,292	31,901
Tax on undistributed surplus earnings	-	11,863
Income tax expense	$ 102,124	$ 247,388

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

	Year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences					
Accrued warranty	$ 3,033	($ 260)	$ -	$ -	$ 2,773
Unrealised exchange loss		1,906	-	-	1,906
Unrealised gross profit	19,151	(986)	-	-	18,165
Allowance for inventory valuation losses	15,304	(1,658)	-	-	13,646
Provision for rework	633	(132)	-	-	501
Accrued pension liabilities	9,163	66	-	-	9,229
Unpaid annual leave	3,296	519	-	-	3,815
Others	19	46	-	-	65
Tax losses	2,492	(18)	-	-	2,474
	53,091	(517)	-	-	52,574
Deferred tax liabilities:					
Temporary differences					
Unrealised exchange gain	(2,031)	2,031	-	-	-
Investment income	(49,584)	16,605	-	-	(32,979)
Currency translation	(11,485)	-	7,882	-	(3,603)
Others	(113)	6	-	-	(107)
	(63,213)	18,642	7,882	-	(36,689)
	($ 10,122)	$ 18,125	$ 7,882	$ -	$ 15,885

	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 valuation losses	22,343	(7,039)	-	-	15,304
Provision for rework	670	(37)	-	-	633
Accrued pension liabilities	8,381	(251)	1,033	-	9,163
Unpaid annual leave	3,045	251	-	-	3,296
Others	157	(138)	-	-	19
Tax losses	2,321	171	-	-	2,492
	60,129	(8,071)	1,033	-	53,091
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)
	(77,348)	11,809	2,326	-	(63,213)
	($ 17,219)	$ 3,738	$ 3,359	$ -	($ 10,122)

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

	December 31, 2016		
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
2002~2016	$ 189,611	$ 185,397	Gradually expires during 2017~2037

	December 31, 2015		
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
2002~2015	$ 157,295	$ 151,837	Gradually expires during 2017~2036

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 14,775	$ 23,227

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

G. Unappropriated retained earnings:

	December 31,	
	2016	2015
Earnings generated in and before 1997	$ 270	$ 270
Earnings generated in and after 1998	1,720,762	2,338,154
	$ 1,721,032	$ 2,338,424

H. Details of imputation tax system:

	December 31,	
	2016	2015
(a) Balance of imputation tax credit account (ICA)	$ 383,722	$ 418,064

	2016 (Estimated)	2015 (Actual)
(b) Creditable tax rate	22.30%	21.10%

(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, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 429,218	236,216	$ 1.82
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	512	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 429,218	236,728	$ 1.81

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

As employees' compensation could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock compensation 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 compensation on potential common shares.

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,	
	2016	2015
Salaries and other short-term employee benefits	$ 12,572	$ 22,613
Post-employment benefit	309	306
	$ 12,881	$ 22,919

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' compensation, etc.

B. Post-employment benefits represents pension costs.

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Property, plant and equipment			
－Land	$ 388,990	$ 388,990	Security for lines of credit
－Buildings	56,913	58,506	"
Time deposits (shown under "other current assets")	3,225	6,064	Performance bond
	$ 449,128	$ 453,560	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

As of December 31, 2016, the future aggregate rental payables for the lease of offices under operating lease are as follows:

Payment duration		Total rental payables
2017	$	7,052
2018		7,110
2019		3,783
	$	17,945

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Details of earnings distribution proposed by the Board of Directors on February 22, 2017 are provided in Note 6(9)C.

(2) In order to expanding US market, the Board on February 22, 2017 of Directors of the Company resolved to increase capital to the wholly-owned subsidiary TESTRESEARCH USA, INC. with a limit of US$ 1 million.

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, RMB and EUR. 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, 2016									
						Sensitivity Analysis				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)		Degree of variation	Effect on profit of loss		Effect on other comprehensive income	
(Foreign currency: functional currency)										
Financial assets										
Monetary items										
USD:NTD	$	34,055	32.25	$	1,098,274	1%	$	10,983	$	-
RMB:NTD		184,851	4.62		853,457	1%		8,535		-
EUR:NTD		859	33.90		29,123	1%		291		-
Non-monetary items										
EUR:NTD		311	33.90		10,529	1%		-		105
JPY:NTD		34,931	0.28		9,627	1%		-		96
MYR:NTD		1,589	6.91		10,970	1%		-		110
RMB:NTD		100,431	4.62		463,690	1%		-		4,637
Financial liabilities										
Monetary items										
USD:NTD	$	12,813	32.25	$	413,219	1%	$	4,132	$	-
RMB:NTD		104,885	4.62		484,254	1%		4,843		-
EUR:NTD		798	33.90		27,068	1%		271		-
Non-monetory items										
USD:NTD		216	32.25		6,975	1%		-		70

	December 31, 2015					
				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit of loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
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	-
Non-monetary items						
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
Financial liabilities						
Monetary items						
USD:NTD	$ 15,877	32.83	$ 521,163	1%	$ 5,212	$ -
RMB:NTD	59,669	5.00	298,047	1%	2,980	-

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, 2016		
	Unrealised exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	32.25	$ 13,204
RMB:NTD	-	4.62	(27,531)
Financial liabilities			
Monetary items			
USD:NTD	$ -	32.25	($ 3,597)
RMB:NTD	-	4.62	17,994

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

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. For the years ended December 31, 2016 and 2015, 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 and time deposits, 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:

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Notes payable	$ 15,896	$ -	$ -	$ -
Accounts payable	271,149	-	-	-
Other payables	208,204	-	-	-

December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Notes payable	$ 22,507	$ -	$ -	$ -
Accounts payable	365,128	-	-	-
Other payables	311,562	-	-	-

(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 investees

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:

Year ended December 31, 2016	Board Tester	Semiconductor Tester	Total
Revenue from external customers	$ 3,014,371	$ 85,315	$ 3,099,686
Segment profit	524,588	20,129	544,717
Segment profit includes:			
Depreciation and amortisation	97,963	2,772	100,735

Year ended December 31, 2015	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

The total assets and total liabilities amount were not provided to the chief operating decision-maker by the Company.

(4) Reconciliation for segment income (loss)

Net income (loss) of segments reported to the chief operating decision-maker is measured in a manner consistent with revenues and expenses in the income statement. A reconciliation of segment income (loss) to income (loss) before tax and discontinued operations is provided as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Reportable segments income	$ 544,717	$ 1,150,618
Unallocated profit or loss:		
Non-operating income and expenses	(13,375)	95,673
Income before tax from continuing operations	$ 531,342	$ 1,246,291

(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,	
	2016	2015
Sales revenue		
Board Tester	$ 2,917,584	$ 4,516,274
Semiconductor Tester	82,575	84,097
Maintenance income		
Board Tester	96,787	151,169
Semiconductor Tester	2,740	2,849
	$ 3,099,686	$ 4,754,389

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	As of and for the year ended December 31, 2016		As of and for the year ended December 31, 2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 526,210	$ 2,067,510	$ 551,870	$ 2,080,337
China	1,871,524	121,441	3,036,236	142,595
USA	59,606	719	399,353	758
Others	642,346	1,391	766,930	2,021
	$ 3,099,686	$ 2,191,061	$ 4,754,389	$ 2,225,711

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 operating revenue in consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
Customer	Revenue	Segment	Revenue	Segment
F	$ 57,129	Board Tester	$ 627,664	Board Tester
G	319,017	Board Tester	156,296	Board Tester

Test Research, Inc. and Subsidiaries

Loans to others

Year ended December 31, 2016

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 year ended December 31, 2016	Balance at December 31, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
1	TRI Electronic (Shenzhen) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	$ 50,840	$ 23,085	$ 23,085	4.75%	Short-term financing	$ -	Additional operating capital	$ -	None	$ -	$512,926 (Note 1)	$1,025,852 (Note 1)	-
2	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	$ 28,452	$ 27,702	$ 27,702	4.75%	Short-term financing	$ -	For reapaying borrowings	$ -	None	$ -	$512,926 (Note 2)	$1,025,852 (Note 2)	-

Note 1: On August 4, 2016, the Board of Director's resolved to amend TRI Electronic (Shenzhen) Limited's policy "Procedures for Provision of Loans" and the policy is as follows:
Ceiling on total loans to others: 50% of the Company's net worth. If for short-term financing purpose, the ceiling on loans shall not exceeds 40% of the Company's net worth. Limit to a singly pary is RMB 10 million.
If the single party is directly or indirectly wholly controlled by the same parent company, then loans are not limited as perscribed. The ceiling on loans is 20% of parent company's net worth. Celing to the beforementioned single party is 10% of parent company's net worth.

Note 2: On July 29, 2016, the Board of Directors resolved for TRI Electronic (Shanghai) Limited's policy "Procedures for Provision of Loans" and the policy is as follows:
Ceiling on total loans to others: 50% of the Company's net worth. If for short-term financing purpose, the ceiling on loans shall not exceeds 40% of the Company's net worth. Limit to a singly pary is RMB 4 million.
If the single party is directly or indirectly wholly controlled by the same parent company, then loans are not limited as perscribed. The ceiling on loans is 20% of parent company's net worth. Celing to the beforementioned single party is 10% of parent company's net worth.

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, 2016

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transactions				Differences in transaction term compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	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	$ 1,578,298	57%	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 93% of final sales price.	The collection terms are 90-120 days, and are similar to third parties	Accounts receivable $ 771,560	67%	None
DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	Same ultimate parent company	Sales	250,671	15%	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 $ 67,489	8%	None
DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	Same ultimate parent company	Sales	181,389	11%	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 $ 162,259	19%	None
DOLI TRADING LIMITED	Test Research, Inc.	Parent company	Purchases	1,578,298	100%	The payment terms are 90-120 days	The price is determined by TRI	The payment terms are 90-120 days	Accounts payable $ 771,560	100%	None
TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Purchases	250,671	97%	The payment terms are 90-120 days	The price is determined by TRI	The payment terms are 90-120 days	Accounts payable $ 67,489	86%	None
TRI Electronic (Suzhou) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Purchases	181,389	88%	The payment terms are 90-120 days	The price is determined by TRI	The payment terms are 90-120 days	Accounts payable $ 162,259	85%	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, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	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	Subsidiary	$ 771,560	2.11	$ 174,827	-	$ 227,025	$ -
DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	Same ultimate parent company	162,259	1.32	61,115	-	24,921	-

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, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transactions			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Sales revenue	$ 1,578,298	Note 3	51
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Sales revenue	26,977	Note 3	1
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Sales revenue	28,143	Note 3	1
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Accounts receivable	596,733	Note 3	10
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Accounts receivable	8,153	Note 3	-
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Other receivables	174,827	Note 3	3
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Other receivables	16,130	Note 3	-
0	Test Research, Inc.	TEST RESEARCH USA, INC.	1	Other receivables	18,062	Note 5	-
0	Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	1	Agency expenses	25,586	Note 6	1
0	Test Research, Inc.	TEST RESEARCH USA, INC.	1	Agency expenses	21,787	Note 6	1
0	Test Research, Inc.	TRI MALASIA SND. BHD	1	Agency expenses	13,838	Note 6	-
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	Agency expenses	11,746	Note 6	-
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	3	Sales revenue	250,671	Note 3	8
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Sales revenue	181,389	Note 3	6
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	3	Accounts receivable	67,489	Note 3	1
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Accounts receivable	101,144	Note 3	2
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Other receivables	61,115	Note 3	1
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	3	Agency expenses, etc	106,531	Note 6	3
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Agency expenses, etc	29,116	Note 6	1
2	TRI Electronic (Shenzhen) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	23,085	Note 5	-
3	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	27,702	Note 5	-

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.
(2)Subsidiary to parent company.
(3)Subsidiary to 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 93% 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: Loans to others and advance money.

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

Test Research, Inc. and Subsidiaries

Information on investees

Year ended December 31, 2016

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at December 31, 2016: Number of shares	Shares held as at December 31, 2016: Ownership (%)	Shares held as at December 31, 2016: Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
Test Research, Inc.	TRI INVESTMENTS LIMITED	Samoa	Investment holdings	$ 219,811	$ 219,811	6,724,109	100	$ 463,808	($ 50,422)	($ 50,738)	None
Test Research, Inc.	DOLI TRADING LIMITED	British Virgin Islands	Trading	131,973	131,973	801	100	72,872	(30,893)	(30,471)	Note 2
Test Research, Inc.	TEST RESEARCH USA, INC.	United States	Trading	30,297	30,297	1,018,935	100	(6,975)	(14,054)	(14,054)	None
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	Germany	Trading	17,679	17,679	-	100	10,529	(5,598)	(5,598)	Note 1
Test Research, Inc.	TRI JAPAN CORPORATION	Japan	Trading	10,750	10,750	720	100	9,627	(204)	(204)	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	2,066	2,066	1,000,000	100	10,970	3,078	3,078	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, 2016

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, 2016 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016 (Note 3)	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2(2)B.)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Foot note
					Remitted to Mainland China	Remitted back to Taiwan							
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	$ 98,363	2	$ 24,188	$ -	$ -	$ 24,188	($ 40,000)	100	($ 40,000)	$ 385,530	-	
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	83,493	2	64,500	-	-	64,500	(3,738)	100	(3,738)	17,252	-	
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	125,775	2	125,775	-	-	125,775	(6,685)	100	(6,685)	60,908	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016 (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.	$ 214,463	$ 287,474	$ 3,077,555

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. (Reinvested through TRI INVESTMENTS LIMITED)

(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 (1:32.25) 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, 2016

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2016	%	Balance at December 31, 2016	Purpose	Maximum balance during the year ended December 31, 2016	Balance at December 31, 2016	Interest rate	Interest during the year ended December 31, 2016	Others (Note)
TRI Electronic (Shenzhen) Limited	$ 278,814	9	$ -	-	$ 7,227	1	$ -	-	$ -	$ -	-	$ -	$110,196
TRI Electronic (Suzhou) Limited	208,366	7	-	-	186,542	3	-	-	-	-	-	-	37,091

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