



Test Research, Inc. 2019 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

2019 Annual Report is available at: <http://www.tri.com.tw>

Printed on April 30, 2020

Spokesperson

Name: Chiang-Hua, Lin

Title: Vice President

Tel: 886-2-28328918

E-mail: ir@tri.com.tw

Deputy Spokesperson

Name: Kaun-Yuan, Chen

Title: Senior Manager

Tel: 886-2-28328918

E-mail: ir@tri.com.tw

Headquarters and Plant**Headquarters**

Address: 7F., No.45, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan

Tel: 886-2- 28328918

Plant

Address: No. 256, Huaya 2nd Rd, Guishan Dist., Taoyuan City, 33383, Taiwan

Tel: 886-2- 28328918

Stock Transfer Agent

Stocks Affairs Department of KGI Securities

Address: 5F, No. 2, Chongqing South Road, Taipei City, Taiwan

Tel: 886-2-23892999

Website: www.kgieworld.com.tw

Auditors

PricewaterhouseCoopers, Taiwan

Auditors: Pan, Hui-Lin, Liao, A-Shen

Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan

Tel.: 886-2-27296666

Website: www.pwc.tw

Overseas Securities Exchange

None.

Corporate Website

<http://www.tri.com>

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I. Letter to Shareholders

Dear Shareholders,

The consolidated revenue of the Company in 2019 was NT\$4.387 billion, decreased by 11% if compared with the figure NT\$4.919 billion in 2018. The after-tax net profit was NT\$ 939 million, which was decreased by 12% if compared with the figure NT\$ 1.064 billion in 2018.

As shown in the consolidated financial statements, the net operating profit margin of the Company last year was 28%, the after-tax - profit margin was 22%, the return on equity was 17%, return on assets was 14%, and debt ratio was 18%. The overall financial condition of the Company was robust and good.

The major factors that contribute the decrease of the revenue and profit in 2019 included (1) the prosperity of the global economy was not as good as expected, (2) the commercialization of new products was delayed, and (3) the expansion of the global market didn't achieve the goal as expected. As a result, the annual revenue and profit were both decreased.

● Future operation strategies, production-sales policies, development strategies and estimated sales volume:

The Company is dedicated to the technical advancement and competitiveness improvement of three technologies of automatic inspection equipment, namely, image technology (AOI, SPI), X-RAY, and board tester (ICT, FCT). To meet the demands for automatic inspection equipment of the industries, the Company will (1) continuously invest more R&D resources to meet customer needs and commercialize various new products with global competitiveness, (2) keep improving the product quality, so as to elevate the machine stability and reliability, (3) intensively research SMT process and expand new demands for automatic inspection devices in the semiconductor industry, (4) get closer to customers, cooperate with globally renowned large manufactures, and provide overall solution of automatic inspection for customers, and (5) expand global market, increase the global market share of the products made by the Company. The Company will successively commercialize a number of new products with global competitiveness and improve the competitiveness of our products this year. The sales volume this year is estimated to have sustainable growth.

● Influence of external competitive environment, regulatory environment and overall operation environment on the Company:

During the outbreak of the COVID-19, the Company has carried out product development and production of customer orders actively and continuously. Facing the fierce global competition, we will continuously make improvements in "leading technology", "stable and reliable quality", and "global market expansion", and will also keep adjusting the systems of the overall company. We are confident that we will seize the opportunity of continuous growth in the future.

Thanks for the support from all shareholders who bring opportunities for continuous growth of the Company.
Sincerely

Chairman: Chieh-Yuan,Chen Manager: Chieh-Yuan,Chen Accounting Chief: Kaun-Yuan, Chen

II. Company Profile

2.1 Date of Incorporation: April 10, 1989.

2.2 Company History

Year	Milestone
1989	Founding of Test Research Inc., TRI. The main business is to develop, manufacture, and sell automated inspection equipment.
1990	Successful development of TR518 Manufacturing Defects Analyzer (ICT).
1993	Introduced TR518F which was the first inspection equipment using Test-Jet technology in R.O.C.
1995	TRI earned ISO 9001 certification
1996	Introduced TR518FE MDA which was honored with the Symbol of Excellence (SOE) Award.
1997	Changed company organization from limited company to corporation company.
1997	Introduced TR518FR MDA which was also honored with SOE Award.
1998	Re-elected Mr. Chieh-Yuan, Chen as Chairman
1998	DOLI Trading Limited established.
1998	TRI Investment Limited established.
1999	Approved to Initial Public Offering by Securities & Futures Institute.
1999	Launched Semiconductor Tester (IC TESTER).
1999	TRI Electronics (Shenzhen) Co., Ltd established.
2000	Launched Automated Test Equipment (ATE).
2000	TPEX approved the application for over-the-counter (OTC) listing.
2001	Listed on Taiwan's Over The Counter market.
2001	Acquired Test-Jet Technology permanent authorization.
2001	TRI Electronics (Suzhou) Co., Ltd established.
2002	TR8001V received Taiwan SOE Award.
2002	Launched Automated Optical Inspection (AOI).
2002	Listed on the Taiwan Stock Exchange.
2002	Test Research USA, Inc. established.
2003	Test Research Singapore Pte Ltd established.
2004	Launched Solder Paste Inspection (SPI).
2004	Launched inspection devices integrated with circuit board and functional test.

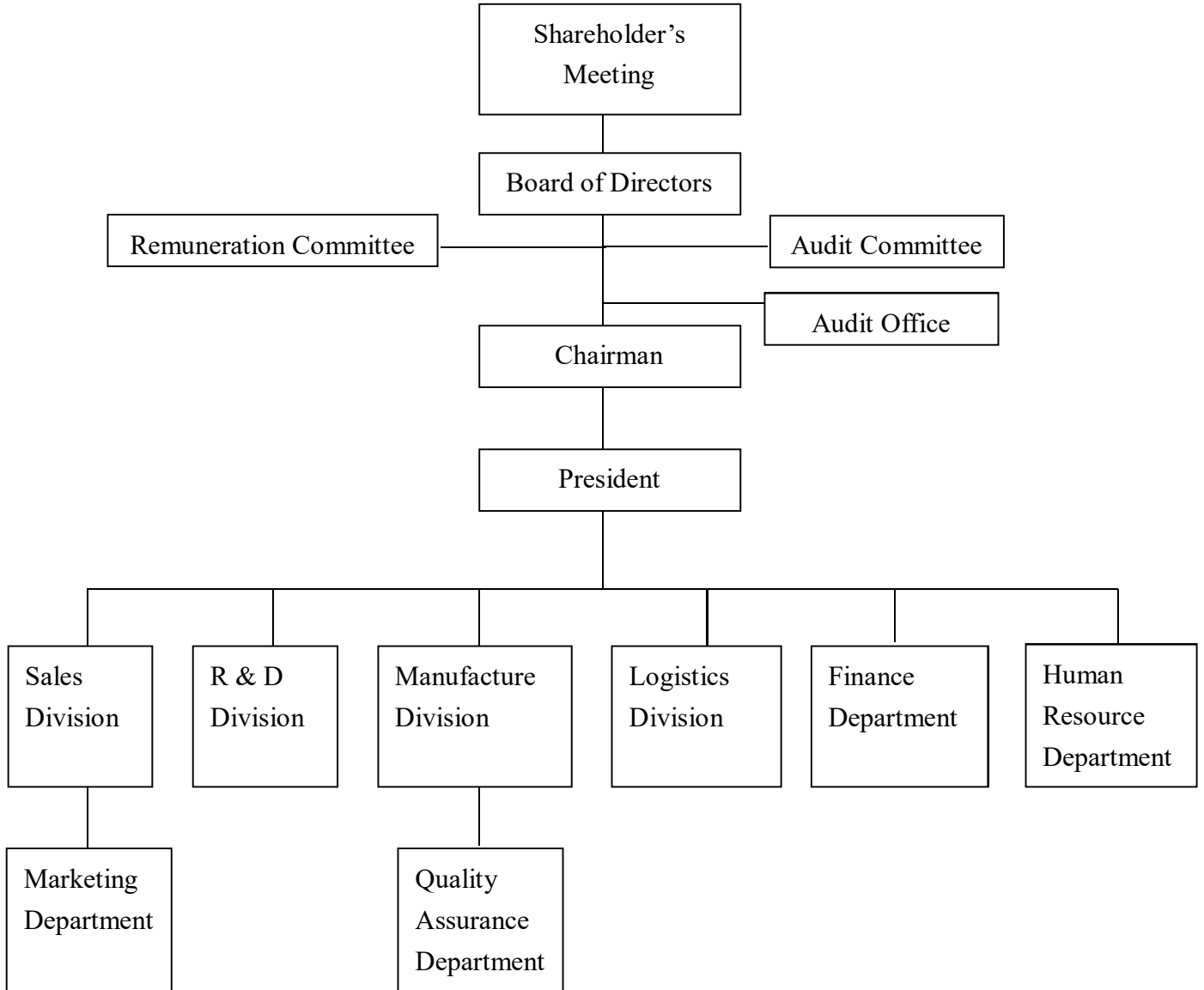
Year	Milestone
2005	TRI Electronics Trading (Shanghai) Co., Ltd.
2006	Introduced TR7100EP AOI which was honored with the EM Asia Awards.
2007	TRI Test Research Europe GmbH established.
2007	Launched Automated X-ray Inspection (AXI).
2008	TRI won the EM Asia Best Supplier Award.
2008	TRI Japan Corporation established.
2008	Establishment of Manufacturing Plant in Linkou, Taiwan. Won the Gold Plaque Award, Taoyuan Architecture Award for Industrial/Commercial Building.
2008	TRI won the 16 th Excellent Enterprise Innovation Award issued by The ministry of Economic Affairs.
2010	The TR7007 received a 2010 SMTA China East Best Exhibit Technology Award.
2011	The TR7007 SII received a 2011 GLOBAL Technology Award.
2012	The TR7600 SII and the TR5001T TINY each won Test & Measurement World and 2012 Best in Test Awards respectably.
2012	TRI won the EM Asia Innovation Awards “Best Supplier of the year”.
2013	The TR7007 SII and the TR7680 systems each won Test & Measurement World and 2013 Best in Test Awards respectably.
2013	The TR5001T received a 2013 EM Asia Innovation Awards.
2013	TRI won the 1 st Taiwan Mittelstand Award issued by Industrial Development Bureau of the Ministry of Economic Affairs.
2014	The TR7007 SII Plus won Asia Innovation Award-Best 3D SPI.
2014	Received 2014 Best Supplier Award.
2014	The TR7600LL SII Plus won a Global SMT Technology Award.
2014	Selected by the International Trade Bureau of the Ministry of Economic Affairs for subsidize the industry to develop international market plans.
2015	TR7600M SII received 2015 EM Asia Innovation Award.
2015	TR7007Q received 2015 Global Technology Award.
2015	Selected by the International Trade Bureau of the Ministry of Economic Affairs for subsidize the industry to develop international market plans. TRI received this project for two consecutive years.
2016	Won 2016 EM Asia Best Supplier Award by reader's choice.
2016	TR5001 SII won 2016 Global Technology Award.
2016	TRI was chosen as one of targets for special guidance and took a part a program to upgrade SMEs into Mittelstand firms by Industrial

Year	Milestone
	Development Bureau of the Ministry of Economic Affairs.
2017	TR5001 SII received 2017 EM Asia Innovation Award and Circuits Assembly NPI Award.
2018	TR7700Q received 2018 Circuits Assembly NPI Award.
2018	TR7600F3D received a 2018 EM Asia Innovation Award.
2018	TRI was named Best Supplier of the Year by EM Asia.
2019	TR7700 SV 3D received a 2019 Global Technology Award, a Mexico Technology Award and an Outstanding Product Award of the Year by EM Asia.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

(1) President:

- A. Plan and set the Company's short, medium and long-term goals and strategies to achieve such goals.
- B. Supervise the establishment of an innovative and efficient operating system for the team.
- C. Determine the Company's organizational structure, manpower allocation, and division of powers and responsibilities to ensure the achievement of goals
- D. Select department management talents, and discover and train successors to maintain the Company's flexible operation.
- E. Regularly review the Company's operating results, and analyze the major differences for improvements.
- F. Maintain and establish good relationships with relevant governmental agencies, customers, and the mass public.

(2) Audit Office:

- A. Responsible for formulating and revising the internal audit systems.
- B. Investigate and evaluate the deficiency and efficiency of the internal control systems, make corrections and provide suggestions at any time.
- C. Formulate the annual internal audit and verification plan and implementation, and follow-up reminders for the improvement of abnormal situations and other related matters.

(3) Research & Development Division:

- A. Make planning for the development of new technologies and products.
- B. Collect and provide relevant data of new technologies and products.
- C. Supervise relevant technical cooperation programs.
- D. Work out solutions for major quality problems.
- E. Supervise the improvement of existing products in terms of technology and quality.
- F. Supervise the management of technical data on drawings.

(4) Sales Division:

- A. Responsible for developing global markets and achieving business goals set by the Company.
- B. Responsible for the operation of direct customers and the management of distributors.
- C. Responsible for providing technical support, training and after-sales service for customers.
- D. Feedback of product problems and handling of customer complaints.
- E. Check and collect accounts receivable.

(5) Marketing Department:

- A. Responsible for planning global marketing strategies to assist Global Sales Division in developing markets.
- B. Collect market intelligence and generate competitiveness analysis report.
- C. Review development trends and functions of new product.

(6) Manufacture Division:

- A. Complete the scheduled production and system assembly test based on the schedule made by the Production Management Unit, and satisfy the shipping requirements.
- B. Assist in the trial production of RD new products / models and establish the production technology of new products.
- C. Supervise the management of materials and warehouses.
- D. Manage the outsourcing processing operations and customer maintenance.
- E. Responsible for promoting ISO and related audit systems.

(7) Quality Assurance Department:

- A. Supervise the implementation of new model design verification (including new versions of software, hardware, and mechanism).
- B. Supervise the establishment and implementation of the instrument calibration system.
- C. Supervise the implementation of incoming inspection, process inspection and outgoing inspection.
- D. Supervise the determination of nonconforming products, handling of quality incompliance, implementation of corrective measures, and handling of customer complaints.

(8) Logistics Division:

- A. Supervise the Company's procurement operations, general affairs and legal affairs at home and abroad.
- B. Production schedule.
- C. Supervise the DCC data management.
- D. Supervise the establishment and implementation of relevant management systems.
- E. Analysis and program design of application systems such as enterprise resource planning (ERP).
- F. Planning, design, construction of Internet, Intranet, and Workflow.
- G. Planning and setting of machine room, voice and video technology.
- H. Responsible for promoting the overall strategic planning based on the balanced scorecard.
- I. Responsible for promoting the improvements of cross-departmental procedures.

(9) Finance Department:

- A. Supervise financial and accounting operations, such as providing financial analysis and management reports to managers for reference when decision-making.
- B. Supervise the institutionalization and improvement of the financial and accounting operations of the reinvestment company.
- C. Provide the financial analysis and management report of the reinvestment company as scheduled to the operator for decision-making reference.
- D. Responsible for the planning and execution of audit committee, board of directors and shareholders' meeting and other related matters.
- E. Handle investor relations and stock affairs.

(10) Human Resource Department:

- A. Responsible for recruitment and personnel training to enhance the overall core competency in the Company.
- B. Promote the Performance Development Process (PDP) and establish a fair and incentive reward system.
- C. Create high-quality corporate culture.
- D. Maintain harmonious relationships with employees.

3.2 Directors and Management Team

3.2.1 Directors

March 29, 2020

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Notes
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Chairman	R.O.C	Chieh-Yuan, Chen	Male	2017.05.26	3	1989.04.10	37,889,235			16.04%	37,889,235	16.04%	
Director	ROC	Kuang-Chao, Fan	Male	2017.05.26	3	2002.05.04	142,211	0.06%	151,211	0.06%	5,000	0.00%	0	0	Ph.D. degree from University of Manchester Institute of Science and Technology in UK Distinguished Professor in the Department of Mechanical Engineering of National Taiwan University.	Note 2	None	None	None	None
Director	ROC	Chin-Lung, Chen	Male	2017.05.26	3	1999.03.27	415,857	0.18%	415,857	0.18%	62,100	0.03%	0	0	LL.M National Taiwan University Managing Partner, Bright & Wise Attorneys-at-Law	Note 3	None	None	None	None
Director	ROC	Chiang-Huai, Lin	Male	2017.05.26	3	2000.06.03	2,402,864	1.02%	2,357,864	1.00%	589,059	0.25%	0	0	BE(ES)of National Taiwan University of Science and Technology Vice President of Test Research, Inc.	Note 4	None	None	None	None
Director	ROC	Ming-Chuan, Tsai	Male	2017.05.26	3	2008.06.13	1,350,650	0.57%	1,045,650	0.44%	105,000	0.04%	0	0	BE(Elec)of Tatung University Vice President of Test Research, Inc.	None	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Notes
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Director	ROC	Der-Hong Investment Co., Ltd. (Representative : Chiou-Shann,Fuh)	Male	2017.05.26	3	2011.04.28	2,738,939 5,000			1.16% 0.00%	2,738,939 182,000	1.16% 0.08%	
Independent Director	ROC	You-Xuan,Fu	Male	2017.05.26	3	2017.05.26	0	0.00%	0	0	0	0	0	0	MBA of West Coast University in USA General Manager of WYSE Technology Taiwan Ltd. General Manager of E Ink Holdings Inc.	None	None	None	None	None
Independent Director	ROC	Mei-Jin,Chen	Female	2017.05.26	3	2017.05.26	0	0.00%	0	0	0	0	0	0	MBA of New York University in USA Chairman of SinoPac Securities Investment Trust Co. Ltd.	None	None	None	None	None
Independent Director	ROC	Liang-Chia,Chen	Male	2017.05.26	3	2017.05.26	0	0.00%	0	0	0	0	0	0	Ph.D. in Advanced manufacturing and mechanical engineering, the university of South Australia, Australia Chair, Manufacturing Automation Technology Research Center, National Taiwan University.	None	None	None	None	None

Note1 : Act as the Company's chairman and concurrent as the president. Concurrently serving as a director of Der-Sheng Investment Co., Ltd., Der-Shin Investment Co., Ltd., Der-Hong Investment Co., Ltd., TRI Electronics (Shenzhen) Co., Ltd., TRI Electronics (Suzhou) Co., Ltd. and TRI Electronics Trading (Shanghai) Co., Ltd..

Note2 : Act as the independent director of U.D. Electronic Corp. Act as the director of 3DFamily Technology Co., Ltd. and Optodyne International Co., Ltd.

Note3 : Act as the supervisor of Powerchip Technology Corporation., NewSoft Technology Corporation., St.Shine Optical Co., Ltd. and Powerchip Semiconductor Manufacturing Corporation. Act as the independent director of Ever Supreme Bio Technology Co., Ltd.

Note4 : Act as the Company's vice president of sales division. Act as the chairman and concurrent as the president of TRI Electronics (Shenzhen) Co., Ltd., TRI Electronics (Suzhou) Co., Ltd. and TRI Electronics Trading (Shanghai) Co., Ltd.. Act as the director of Test Research USA, Inc., TRI Test Research Europe GmbH, TRI Japan Corporation and TRI MALASIA SDN. BHD.

Note5 : Act as the independent director of PenPower Technology Co., Ltd., Logah Technology Corp. and Chicony Power Technology Co., Ltd..

Note6 : Change the status of the person from supervisor to director since re-election on May 26, 2017.

Note7 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers): The Company's chairperson and president aims to improve operational efficiency and the execution of decisions. To strengthen the Board's independence, the Company is actively training suitable candidates. Furthermore, the chairperson fully communicates the Company's recent condition, plans, and policies with directors to implement corporate governance. In the future, the Company also plans to enhance the Board's capabilities and supervisory function by increasing the number of independent director seats. The Company currently has the following measures:

- a. The three independent directors have expertise in finance, accounting, and automatic inspection devices, thus ensure efficient supervision.
- b. Arrange directors to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
- c. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
- d. Over half of the directors in the Board of Directors do not concurrently serve as an employee or executive officer.

Major shareholders of the institutional shareholders

March 29, 2020

Name of Institutional Shareholders	Major Shareholders
Der-Hong Investment Co., Ltd.	Chieh-Yuan, Chen (48.3%), Mei-Hsin, Yeh (16.7%)

Professional qualifications and independence analysis of directors and supervisors

March 29, 2020

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chieh-Yuan,Chen			V				V						V	V	V	V	-
Kuang-Chao,Fan	V		V		V	V	V	V	V	V	V	V	V	V	V	V	1
Chin-Lung,Chen		V	V		V	V	V	V	V	V	V	V		V	V	V	-
Chiang-Huai,Lin			V				V	V	V	V	V		V	V	V	V	-
Ming-Chuan,Tsai			V		V	V	V	V	V	V	V	V	V	V	V	V	-
You-Xuan,Fu			V		V	V	V	V	V	V	V	V	V	V	V	V	3
Mei-Jin,Chen			V		V	V	V	V	V	V	V	V	V	V	V	V	-
Liang-Chia,Chen	V		V		V	V	V	V	V	V	V	V	V	V	V	V	-
Der-Hong Investment Co., Ltd. (Representative : Chiou-Shann,Fuh)	V		V		V	V	V	V	V	V	V	V	V	V	V	V	-

Note:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
11. Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
12. Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

3.2.2 Management Team

March 29, 2020

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman (Concurrent as the President)	R.O.C	Chieh-Yuan, Chen	Male	1990.03.01	37,889,235	16.04%	17,338,054	7.34%	0	0	BE(Elec)of Tatung University Department Head of Philip Co. Taiwan	Note 1	Sr. Manager of Logistic Division	Mei-Hsing, Yeh	Spouse
Vice President of Sales Division	R.O.C	Chiang-Huai, Lin	Male	1998.04.30	2,357,864	1.00%	589,059	0.25%	0	0	BE(ES) of National Taiwan University of Science and Technology President of CHINATECH Corp.	Note 2	None	None	None
Director of Imaging Test Systems RD Division	R.O.C	Kuang-Pu, Wen	Male	2001.10.02	606	0.00%	55,543	0.02%	0	0	ME (Mechanical) of University of Wisconsin-Madison Manager and Research Engineer of Industrial Technology Research Institute (ITRI)	None	None	None	None
Sr. Manager of Manufacture Division	R.O.C	Chang-Fa, Lin	Male	2005.04.18	29,000	0.01%	0	0	0	0	BE(Mechanical) of National United University Process Development section Manager of PHILIPS CLI TWN Production Engineering Manager of LainHwa Food Corp.	None	None	None	None
Sr. Manager of Logistics Division	R.O.C	Mei-Hsing, Yeh	Female	1990.01.06	17,338,054	7.34%	37,889,235	16.04%	0	0	BA(JP) of FuJen Catholic University Secretary of YuChang Industrial Co., Ltd.	Note 3	President	Chieh-Yuan, Chen	Spouse
Sr. Manager of Human Resources Department	R.O.C	Chia-Lang, Tsai	Male	2018.09.01	10,000	0.00%	0	0	0	0	Master of Information Management of Fu-Jen Catholic University MIS Manager of Potrans Electrical Corp. MIS Manager of Test Research Inc.	None	None	None	None
Sr. Manager of Finance Department	R.O.C	Kaun-Yuan, Chen	Male	2004.06.17	178,620	0.08%	0	0	0	0	Master of Science in Accounting of University of Wisconsin-Milwaukee Deputy Manager of KPMG Taiwan Senior Accounting Manager of Primax Electronics Ltd.	None	None	None	None

- Note1 : Act as the director of Der-Sheng Investment Co., Ltd., Der-Shin Investment Co., Ltd., Der-Hong Investment Co., Ltd., TRI Electronics (Shenzhen) Co., Ltd., TRI Electronics (Suzhou) Co., Ltd. and TRI Electronics Trading (Shanghai) Co., Ltd..
- Note2 : Act as the chairman and concurrent as the president of TRI Electronics (Shenzhen) Co., Ltd., TRI Electronics (Suzhou) Co., Ltd. and TRI Electronics Trading (Shanghai) Co., Ltd.. Act as the director of Test Research USA, Inc., TRI Test Research Europe GmbH, TRI Japan Corporation and TRI MALASIA SDN. BHD.
- Note3 : Act as the director of TRI Electronics (Shenzhen) Co., Ltd., TRI Electronics (Suzhou) Co., Ltd. and TRI Electronics Trading (Shanghai) Co., Ltd.. Act as the chairman of Der-Sheng Investment Co., Ltd., Der-Shin Investment Co., Ltd., and Der-Hong Investment Co., Ltd. Act as the representative of DOLI TRADING LIMITED and TRI INVESTMENTS LIMITED.
- Note4 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers):
The Company's chairperson and president aims to improve operational efficiency and the execution of decisions. To strengthen the Board's independence, the Company is actively training suitable candidates. Furthermore, the chairperson fully communicates the Company's recent condition, plans, and policies with directors to implement corporate governance. In the future, the Company also plans to enhance the Board's capabilities and supervisory function by increasing the number of independent director seats. The Company currently has the following measures:
- a. The three independent directors have expertise in finance, accounting, and automatic devices, thus ensure efficient supervision.
 - b. Arrange directors to participate in professional courses offered by external institutions every year, such as the Securities and Futures Institute, to enhance Board performance.
 - c. Independent directors can fully discuss and provide recommendations in functional committees to the Board of Directors in implementing corporate governance.
 - d. Over half of the directors in the Board of Directors do not concurrently serve as an employee or executive officer.

Remuneration Bracket Table for Directors and Independent Directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	0	0	0	0
NT\$1,000,000 (inclusive)~ NT\$2,000,000(exclusive)	Directors : Chieh-Yuan,Chen, Kuang-Chao,Fan, Chin-Lung,Chen, Chiang-Huai,Lin, Ming-Chuan,Tsai, Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann,Fuh Independent Directors : Mei-Jing,Chen, You-Xuan,Fu , Liang-Jia,Chen	Directors : Chieh-Yuan,Chen, Kuang-Chao,Fan, Chin-Lung,Chen, Chiang-Huai,Lin, Ming-Chuan,Tsai, Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann,Fuh Independent Directors : Mei-Jing,Chen, You-Xuan,Fu , Liang-Jia,Chen	Directors : Chieh-Yuan,Chen, Kuang-Chao,Fan, Chin-Lung,Chen, Ming-Chuan,Tsai, Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann,Fuh Independent Directors : Mei-Jing,Chen, You-Xuan,Fu , Liang-Jia,Chen	Directors : Chieh-Yuan,Chen, Kuang-Chao,Fan, Chin-Lung,Chen, Ming-Chuan,Tsai, Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann,Fuh Independent Directors : Mei-Jing,Chen, You-Xuan,Fu , Liang-Jia,Chen
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	0	0	0	0
NT\$3,500,000 (inclusive) ~ NT\$5,00,000 (exclusive)	0	0	0	0
NT\$5,000,000 (inclusive) ~ NT\$10,00,000 (exclusive)	0	0	Chiang-Huai,Lin	Chiang-Huai,Lin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	0	0	0	0
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	0	0	0	0
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	0	0	0	0
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	9	9	9	9

Note 1: The directors' compensation for the year 2019 had been approved by Board and will be reported to the 2020 Annual Shareholders' Meeting.

Note 2: All pays to the director who is also an employee of the Company (including the position of president, vice president, other executive officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car for the most recent year (2019). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 3: Employers shall on a monthly basis contribute labor pension funds to individual labor pension accounts at the Bureau for employees covered by the Act.

Note 4: The employees' compensation for the year 2019 had been approved by Board and will be reported to the 2020 Annual Shareholders' Meeting.

2. Remuneration of the President and Vice President

December 31, 2019; Unit: NT\$ thousands

Title	Name	Salary(A) (Note 2)		Pension (B) (Note 4)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 1)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Chieh-Yuan, Chen													
Vice President of Sales Division	Chiang-Huai, Lin	3,143	3,143	166	166	3,020	3,020	990	0	990	0	0.78%	0.78%	None

Remuneration Bracket Table for President and Vice Presidents

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Chieh-Yuan,Chen	Chieh-Yuan,Chen
NT\$1,000,000 (inclusive)~ NT\$2,000,000(exclusive)	0	0
NT\$2,000,000 (inclusive) ~ NT3,500,000 (exclusive)	0	0
NT\$3,500,000 (inclusive) ~ NT5,00,000 (exclusive)	0	0
NT\$5,000,000 (inclusive) ~ NT10,00,000 (exclusive)	Chiang-Huai,Lin	Chiang-Huai,Lin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	0	0
Over NT\$100,000,000	0	0
Total	2	2

Note 1: The employees' compensation for the year 2019 had been approved by Board and will be reported to the 2020 Annual Shareholders' Meeting.

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the president or vice president in the most recent year (2019).

Note 3: Refers to the remuneration paid to the president or vice president, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year (2019). Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note4: Employers shall on a monthly basis contribute labor pension funds to individual labor pension accounts at the Bureau for employees covered by the Act.

3. Compare and describe separately the analysis of total remunerations paid to the Company's directors, president, and vice presidents for the past two years by the Company and all companies in the consolidated report as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance and future risks:

Unit: NT Thousands

Title	2018		2019	
	Total amount of remuneration (Unit: NT\$ thousands)	Ratio of the total amount to net income after tax (%) (Note)	Total amount of remuneration (Unit: NT\$ thousands)	Ratio of the total amount to net income after tax (%) (Note)
Directors	10,920	1.02%	9,473	1.01%
President and Vice President of Sales Division	7,201	0.68%	7,319	0.78%

Note: The Company's 2018 net income after tax was NT\$ thousands \$1,064,399 and the 2019 net income after tax was NT\$ thousands 638,698.

- (1) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration:

The remuneration paid to directors is subject to the Articles of Association. According to the current articles, if the Company has a surplus in the current year, it shall deduct the profit before the remuneration for employees is distributed from the pre-tax profit. If there is any profit that shall be appropriated after making up the loss, it shall set aside no more than 2% as the remuneration for directors, which shall be all paid by cash. As for the remuneration paid to the general manager and deputy general manager, it shall be paid based on their performance and contribution to the company, and by referring to the level in the same industry. The current remuneration includes salary, performance bonus and meal allowance, which shall be all paid by cash.

- (2) The correlation with risks and business performance:

According to the provisions of the Articles of Association, the remuneration paid to the directors, the general manager and the deputy general manager is appropriated from the annual profit, which is closely correlated with the operating performance and the future risks.

4. Names of executive officers that received employee bonuses and status of the distribution

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chieh-Yuan, Chen	0	3,495	3,495	0.37%
	Vice President of Sales Division	Chiang-Huai, Lin				
	Director of Imaging Test Systems RD Division	Kuang-Pu, Wen				
	Sr. Manager of Manufacture Division	Chang-Fa, Lin				
	Sr. Manager of Logistics Division	Mei-Hsing, Yeh				
	Sr. Manager of Human Resources Department	Chia-Lang, Tsai				
	Sr. Manager of Finance Department	Kaun-Yuan, Chen				

*Note: Refers to the amount of employee compensation distributed to executive officers approved by the Board of Directors (on February 26, 2020), and will be reported to the 2020 Annual Shareholders' Meeting.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 5 (A) meetings of the Board of Directors were held in the previous period.

The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Chieh-Yuan,Chen	5	0	100%	None
Director	Kuang-Chao,Fan	5	0	100%	None
Director	Chin-Lung,Chen	5	0	100%	None
Director	Chiang-Huai,Lin	5	0	100%	None
Director	Ming-Chuan,Tsai	5	0	100%	None
Director	Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann, Fuh	5	0	100%	None
Independent director	Mei-Jing,Chen	5	0	100%	None
Independent director	You-Xuan,Fu	5	0	100%	None
Independent director	Liang-Jia,Chen	5	0	100%	None

Other mentionable items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date (sessions)	Agenda items and resolutions	The Company's handling of independent directors' opinions
2019.05.08 (2 nd)	1. Approved to amend the Internal Control System.	Independent directors have no dissenting or unqualified opinions.
2019.08.07 (4 th)	1. Approved to amend the Internal Control System.	
2019.11.06 (5 th)	1. Approved to amend the Internal Control System.	
2020.02.26 (1 st)	1. Approved to amend the Internal Control System. 2. Approved to amend "the Company's Operation Procedure for Lending Funds to Others and the	

		<p>Amended Company's Procedures for Lending Funds to Others “.</p> <p>3. Approved to amend” the Company's Procedures for Endorsement & Guarantee and the Amended Company's Procedures for Endorsement & Guarantee “.</p> <p>4. Approved appointment of CPA and audit fee assessment for 2019.</p> <p>5. Adoption of 2019 Earning Distribution Plan.</p>	
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(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: During the board meeting held on February 27, 2019 and August 07, 2019, it discussed the proposals of the Remuneration Committee and the proposal of performance bonus and salary adjustment for managers, director Chiang-Huai, Lin avoided the discussion and voting because he was an executive officer and was involved in the conflict of interest.
3. Measures taken to strengthen the functionality of the board: The Company has stipulated the “Rules of Procedures for the Board of Directors Meetings” in accordance with the “Regulations Governing Procedures for Board of Directors Meetings of Public Companies” . The Remuneration Committee was set up upon the approval of the Board on October 28, 2011, which evaluated the policies and systems of remuneration paid to the directors and managers from the professional and unbiased perspectives, and proposed suggestion to the Board for reference when making decisions. Moreover, the Audit Committee was set up in the Company on May 26, 2017.

3.3.2 Audit Committee

A total of 4 (A) Audit Committee meetings were held in the previous period (2019.01.01~2019.12.31). The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	Mei-Jing,Chen	4	0	100%	-
Independent director	You-Xuan,Fu	4	0	100%	-
Independent director	Liang-Jia,Chen	4	0	100%	-

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date (sessions)	Agenda items and resolutions	The Company's handling of independent directors' opinions
2019.05.08 (2 nd)	1. Approved to amend the Internal Control System.	Independent directors had no dissenting or unqualified opinions.
2019.08.07 (3 rd)	1. Approved to amend the Internal Control System.	
2019.11.06 (4 th)	2. Approved to amend the Internal Control System.	
2020.02.26 (1 st)	1. Approved to amend the Internal Control System. 2. Approved to amend "the Company's Operation Procedure for Lending Funds to Others and the Amended Company's Procedures for Lending Funds to Others".	
	3. Approved to amend" the Company's Procedures for Endorsement & Guarantee and the Amended Company's Procedures for Endorsement & Guarantee ". 4. Approved 2019 appointment of CPA and audit fee assessment. 5. Adoption of 2019 Earning Distribution Plan.	

	<p>6. Adoption of 2019 Financial Statements.</p> <p>7. Approved the assessment of the effectiveness of the company's internal control system during the year 2019.</p>	
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(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors. None

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) Communication methods of independent directors with the internal audit chief and CPAs:

a. The internal audit chief of the Company will submit the audit report and follow-up report to the independent directors of the Audit Committee for approval. The independent directors will communicate with him regarding the audit report and the follow-up report if any problem during the audit process.

b. The CPA of the Company communicates with the independent directors on a quarterly basis, and reports to the independent directors regarding the review or audit results or the situation of internal control inspection for the Company and its overseas subsidiaries.

(2) Summary of communications between the independent directors and the internal audit chief:
The independent directors of the Company achieved good communication regarding the implementation and effectiveness of the audit business, with the communication items in 2019 summarized as below:

a. In 2019/05, Report on the Audit Implementation of Internal Control System for Q1, 2019

b. In 2019/08, Report on the Audit Implementation of Internal Control System for Q2, 2019

c. In 2019/11, Report on the Audit Implementation of Internal Control System for Q3, 2019

d. In 2020/02, Report on the Audit Implementation of Internal Control System for Q4, 2019

(3) Summary of communications between the independent directors and the CPAs:
The independent directors of the Company achieved good communication with the CPA, with the communication items in 2019 summarized as below:

a. In 2019/05, Reports on the Audit Result of Consolidated Financial Statements for Q1, 2019; The content of financial statement and the audit report were explained and communicated in written forms.

b. In 2019/08, Reports on the Audit Result of Consolidated Financial Statements for Q2, 2019; The content of financial statement and the audit report were explained and communicated in written forms.

c. In 2019/11, Reports on the Audit Result of Consolidated Financial Statements for Q3, 2019; The content of financial statement and the audit report were explained and communicated in written forms.

d. In 2020/02, Reports on the Audit Result of Consolidated and Individual Financial Statements for 2019; the CPA audit report, key audit items, CPA independence were explained and communicated in written forms.

3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the “Corporate Governance Code” based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” which was approved by Board.	None.
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The content of the “Corporate Governance Code” includes the matters related to handling of shareholder proposals, questions, disputes and litigations. Currently, the spokesperson is responsible for handling the shareholder proposals or disputes.	(1) None.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company keeps track of major shareholders and the list of ultimate owners of those shares.	(2) None.
(3) Does the company establish and execute the risk	V		(3) The Company has established appropriate	(3) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>management and firewall system within its conglomerate structure?</p> <p>(4) Does the company establish internal rules against insiders trading with undisclosed information?</p>	V		<p>risk control mechanisms and firewalls based on related internal regulations such as Trading with Related Parties Management Regulations, Subsidiary Management Regulations, Procedures for Endorsement & Guarantee, Procedures for Lending Funds to Others and Procedures for the Acquisition or Disposal of Assets. Those who have business connection with affiliated companies are treated as independent third parties to prevent non-arm’s length transactions.</p> <p>(4) The Company has established the Material Information Handling Procedures and the Insider Trading Prevention Management Procedures.</p>	(4) None.
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a</p>	V		<p>(1) The Company has adopted the "Corporate</p>	(1) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
diversified policy for the composition of its members?			Governance Code" that formulates the diversification policy in Chapter 3 Strengthen the functions of the Board. The nomination and selection of the directors of the Company' are subject to the provisions of the Company's Articles of Association and adopt the candidate nomination system. The directors selected by the Company have the working experience in business, legal, financial, accounting fields or Company's business, for which the diversification policy is implemented. The directors of the 8th Board include one female and the following members with the expertise in leadership, operational judgement, business management, crisis handling, industrial knowledge and international market outlook, including Chieh-Yuan,Chen,	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the		V	<p>Chiang-Huai, Lin, Chin-Lung, Chen, Kuang-Chao, Fan and Ming-Chuan, Tsai. Those who have the professional knowledge and competency in the automatic inspection industry that the Company is engaged in, and are appointed as the professor of national universities include Kuang-Chao, Fan, Chiou-Shann, Fuh and Liang-Jia, Chen. As for the 3 independent directors, Mei-Jing, Chen, You-Xuan, Fu and Liang-Jia, Chen, they provide so much guidance with their expertise in business, finance, administration management and industrial knowledge. The Board has disclosed the diversification policies of the members on the website of the Company and the MOPS.</p> <p>(2) The Company has set up the Remuneration</p>	(2) In evaluation.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>		V	<p>Committee and Audit Committee, and formulated charters for them. By considering the operational scale, it doesn't set up other functional committees so far.</p> <p>(3) The Company is discussing on the establishment of Board Performance Evaluation Regulations.</p> <p>(4) The Company regularly evaluates the independence of CPAs every year, and obtains the "Independence Statement" from the CPAs every year. The evaluation result is submitted to the Audit Committee and the Board for resolution of appointment. According to the evaluation of the Company, CPA Pan, Hui-Lin and CPA Liao, A-Shen from PwC Taiwan could meet the independence evaluation criteria (Note 1).</p>	<p>(3) In evaluation.</p> <p>(4) None.</p>
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate	V		The Company set up the corporate governance manager upon the resolution of the Board on	None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders’ meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders’ meetings)?			<p>May 8, 2019, who is also the senior manager of the Finance Department. The main responsibilities include handling matters related to the board meetings and shareholder’s meetings, making board and shareholder’s meeting minutes, assisting directors in taking office and conducting continuing education, providing directors with the data required to execute their business, assisting directors in complying with laws and regulations, etc.</p> <p>The focus of business execution in 2020 is to: assist directors in taking office and the data required to execute their business, arranging continuing education courses for directors, ensuring regulatory compliance of the procedures and resolutions of the board meeting and shareholder’s meeting, handling changes in various operations of the Company, and holding investor conferences randomly to maintain</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons										
	Yes	No	Abstract Illustration											
			<p>investor relations and other corporate governance related matters.</p> <p>Status of continuing education in 2019:</p> <table border="1"> <thead> <tr> <th>Training date</th> <th>Training institution</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">2019/09/11</td> <td rowspan="2">Accounting Research and Development Foundation</td> <td>Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities</td> <td>3.0</td> </tr> <tr> <td>Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice</td> <td>3.0</td> </tr> </tbody> </table>	Training date	Training institution	Course name	Training hours	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0	Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0	
Training date	Training institution	Course name	Training hours											
2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0											
		Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0											

Evaluation Item	Implementation Status ¹						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration				
			2019/11/26 2019/11/27	Accounting Research and Development Foundation	Study course for corporate governance manager	12.0	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>a. The Company sets up a spokesperson and an acting spokesperson. The relevant contact information is announced on the MOPS as required. The Company sets up a spokesperson mailbox on the website to establish a communication channel with stakeholders.</p> <p>b. To strengthen the communication between employees and the Company, the Company has set up an employee opinion mailbox on the internal website as the channel to express opinions and complaints.</p> <p>c. The Company has set up the customer service page on the website to facilitate smooth communication with customers.</p>				None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>d. The Company has set up a supplier platform to check accounts with manufacturers regularly, and follow up the transaction status with suppliers at any time to facilitate smooth communication with suppliers.</p> <p>e. The Company has set up a special area for stakeholders on the website, and assigned personnel for handling and response.</p>	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates KGI Securities Co., Ltd. to deal with shareholder affairs.	None
<p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p>	V		(1) The Company has set up a website (www.tri.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status. The information related the finance, business and corporate governance of the Company can be	(1) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		also inquired on the MOPS. (2) The Company has assigned an appropriate person to handle information collection and disclosure work on the MOPS, and the information disclosure on the Chinese and English website of the Company.	(2) None.
(3) Does the Company announce and file its annual financial reports within 2 months from the end of the fiscal year? Does the Company announce and file the financial reports for Q1, Q2 and Q3, as well as the operation status of each month before the due date?	V		(3) The Company announces and files its annual financial reports within 2 months from the end of the fiscal year. Moreover, it announces and files the financial reports for Q1, Q2 and Q3, as well as the operation status of each month before the due date.	(3) None.
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations,	V		a. Rights and benefits for employees: The Company always treats employees honestly and protects the legal rights of employees in accordance with the Labor Standard Act. b. Care for employees: The Company provides	None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>diversified employee care measures to create a high-quality working environment. Besides the employee welfares required by laws, it also provides group insurance and health check-up. In addition, it also provides diverse education training programs that strengthen core and professional competencies. The Company also provides two-way communication channels such as the general assembly and advice mailbox, respecting the expression of employee's opinions.</p> <p>c. Investor’s relations: The Company discloses the revenue, profit, and major information in real time on the official website and the MOPS. The Company always adheres to the principle of real-time, public and transparent information disclosure, so that all shareholders can fully grasp the development</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>direction of the Company.</p> <p>d. Supplier’s relations: It negotiates and signs contracts with suppliers in accordance with the Company’s procurement regulations, and completes delivery and payment under the terms of the contract.</p> <p>e. Interested party’s rights: In order to ensure the rights of interested parties, the Company has established various communication channels to uphold the core values-the principle of business integrity and responsible attitude.</p> <p>f. Continuing education of directors: The directors of the Company all have the background of professional industry and management experience. (Please refer to the table below for continuing education).</p> <p>g. Implementation of the Company’s risk management policies and risk evaluation</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>criteria: It formulates various internal regulations under laws, so as to conduct various risk managements and evaluations.</p> <p>h. Implementation of customer policies: The Company maintains a stable and good relationship with customers to create profits for the Company.</p> <p>i. Situation of purchasing liability insurance for directors: The Company has purchased liability insurance for all directors.</p>	

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

No.	Indicator Item	Priority Matters the Require Strengthening and Measures
1.11	Does the company upload the English version of the annual report 7 days prior to the annual shareholders' meeting?	The English version of the annual report will be prepared and uploaded 7 days before the 2020 annual shareholders' meeting.
3.2	Does the company report material information in English?	Material information will be reported in English in 2020.

Note 1: CPA Independence Evaluation Criteria

Item	Evaluation Content	No	Yes
1	Has the CPA provided auditing service for the Company for seven consecutive years?	V	
2	Do the members of audit service team, other partners of CPAs, accounting firm and affiliates of the accounting firm have a relationship with the Company against the independence?	V	
3	Do the CPAs and their audit service join the client as a director, supervisor, or officer or is in a key position to exert significant influence over the subject matter of the engagement currently or in the most recent two years?	V	
4	Do the CPAs and their audit service have relative relationship with a director, supervisor, or officer of the Company or those who are in a key position to exert significant influence over the subject matter of the engagement?	V	
5	Do the CPAs join the client as a director, supervisor, or officer or is in a key position to exert significant influence over the subject matter of the engagement within one year of disassociating from the company?	V	
6	Do the CPAs have a direct or material indirect financial interest in the audit client?	V	
7	Do the CPAs receive any valuable gift or present offered by the Company, or its directors and officers?	V	
8	Do the CPAs have a significant close business relationship with the Company?	V	
9	Are the CPAs entering into a potential employment negotiations with the Company?	V	
10	Does the non-audit service provided by the CPAs for the Company involve any key item showing direct influence on the audit case?	V	
11	Do the CPAs act as an advocate on behalf of the Company in litigation or disputes with third parties?	V	
12	Do the CPAs hold the shares of the Company?	V	
13	Do the CPAs hold a position in the Company concurrently and receive fixed amount of payment?	V	
14	Do the CPAs have a relationship of common investment or profit sharing with the Company?	V	
15	Do the CPAs borrow some money from the Company?	V	

Directors' training records:

Title	Name	Elected Date	Date	Training institution	Course	Hours
Chairman	Chieh-Yuan, Chen	1989/04/10	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of "Business Judgment Rules" in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of "Employee Fraud" and the Fraud Identification Practice	3.0
Director	Kuang-Chao, Fan	2002/05/04	2019/09/11	Taiwan Corporate Governance Association	Impact of China-US Trade War on Taiwan-funded Enterprises and Countermeasures	3.0
					Viewing the Impact of Economic Substantive Law and Global Anti-tax Avoidance on Corporate Governance from the Perspective of Directors and Supervisors	3.0
Director	Chin-Lung, Chen	1999/03/27	2019/09/11	Securities & Futures Institute	Principles of executive duties and business judgment of directors and supervisors	3.0
					Discussion on the Development of International and Domestic Anti-avoidance and Enterprises' Response	3.0
				Accounting Research and Development Foundation	Discussion on Application of "Business Judgment Rules" in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of "Employee Fraud" and the Fraud Identification Practice	3.0

Title	Name	Elected Date	Date	Training institution	Course	Hours
Director	Chiang-Huai, Lin	2000/06/03	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Director	Ming-Chuan, Tsai	2008/06/13	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Director	Chiou-Shann, Fuh	2014/06/06	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Independent Director	You-Xuan, Fu	2017/05/26	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0

Title	Name	Elected Date	Date	Training institution	Course	Hours
Independent Director	Mei-Jing, Chen	2017/05/26	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Independent Director	Liang-Jia, Chen	2017/05/26	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
					Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0

Executive Officers’ training records:

Title	Name	Date	Training institution	Course	Hours
President	Chieh-Yuan, Chen	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Vice President of Sales Division	Chiang-Huai, Lin	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Director of Imaging Test Systems RD Division	Kuang-Pu, Wen	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0

Title	Name	Date	Training institution	Course	Hours
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Sr. Manager of Manufacture Department	Chang-Fa, Lin	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Sr. Manager of Logistics Division	Mei-Hsing, Yeh	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Sr. Manager of Human Resources Department	Chia-Lang, Tsai	2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
Sr. Manager of Finance Department	Kaun-Yuan, Chen	2019/03/21	Accounting Research and Development Foundation	Continuing Training Course of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12.0
		2019/03/22			
		2019/09/11	Accounting Research and Development Foundation	Discussion on Application of “Business Judgment Rules” in Economic Crime and Discussion of Legal Liabilities	3.0
				Discussion on the Legal Liabilities of “Employee Fraud” and the Fraud Identification Practice	3.0
2019/11/26	Securities & Futures Institute	Study course for corporate governance manager	12.0		
2019/11/27					

3.3.4 The Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Mei-Jing,Chen			V	V	V	V	V	V	V	V	V	V	V	0	-
Independent Director	You-Xuan,Fu			V	V	V	V	V	V	V	V	V	V	V	3	-
Independent Director	Liang-Jia,Chen	V		V	V	V	V	V	V	V	V	V	V	V	0	-

Note1: The title filled in the director, independent director or other.

Note2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one

of its top ten shareholders.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary,
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions
10. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 4 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Mei-Jing,Chen	4	0	100%	-
Committee Member	You-Xuan,Fu	4	0	100%	-
Committee Member	Liang-Jia,Chen	4	0	100%	-

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Meeting Date (Sessions)	Agenda Items	Resolutions	The Company's handling of the opinions of the Remuneration Committee
2019.01.18 (1 st .)	1. Reporting the implement of the previous meeting resolution. 2. Proposal for the 2018 distribution of employees' and directors' remuneration. 3. 2018 executive officers' year-end and performance bonus payment.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors
2019.02.27 (2 nd .)	1. Reporting the implement of the previous meeting resolution. 2. Proposal for the executive officer's salary adjustment for the year 2019.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors
2019.08.07 (3 rd .)	1. Reporting the implement of the previous meeting resolution. 2. Proposal for the executive officers' performance bonus in the half 2019.	No dissenting or unqualified opinions.	Submitted to the Board of Directors and approved by all attending directors

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		To improve the management of business integrity, the Company sets up the Risk Management Office affiliated to the Board. The manager of HR Division shall coordinate the managers of legal division, audit office, and project management to formulate the business integrity policies and unethical conduct prevention, and supervise the implementation, which shall be reported to the Board regularly (at least on an annual basis).	None.
2. Does the Company have a special (concurrent) unit to promote CSR initiatives, supervised by a Board-appointed member of the management team, who reports to the Board?	V		The HR Division and the Employee Welfare Committee shall deal with the CSR related affairs concurrently, which shall be also reported to the Chairman.	None.
3. Environment issues (1) Does the Company establish proper environmental management systems based on the characteristics of its	V		(1) Establish environmental management systems: a. It establishes the internal management standards for the air-conditioning temperature of the office building to achieve the proper energy utilization. b. The factory located in the Hwa Ya Technology Park in Taoyuan meets	(1) None.

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
businesses?			<p>many regulations related to green building through the "bright, elegant and comfortable" architectural design. The factory uses transparent glass design and skylight to let natural light sources in, so as to reduce the use of indoor lighting. At the same time, it also connects outdoor green plants with the landscape in the courtyard, which can not only reduce the impact of sunlight, but also obtain a good lighting surface. All these can achieve energy saving, carbon and GHG emission reduction. The planting area has also been greatly increased, with 14m and 8.7m green plants on both sides of the road. Various plant types in the green space with multiple layers and materials on the ground, could create a park landscape for leisure and relaxation.</p> <p>c. To implement energy conservation, carbon reduction, water conservation and other environmental protection and energy conservation actions, it regularly reports the energy conservation results such as the utilities.</p> <p>d. Smoking is completely banned in the office. The smokers are only allowed to smoke in the designated area outdoors to comply with the regulations, and regularly conduct disinfection, rat and pest repellent.</p>	
(2) Does the Company	V		(2) The Company is committed to improving the utilization efficiency of various	(2) None.

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the Company evaluate the current and future potential risks and opportunities brought by the climate change, and take measure to respond to the climate related issues?	V		<p>resources and using the recycled materials, with the details as below:</p> <ul style="list-style-type: none"> a. Proper disposal of wastes, including advocacy and promotion of garbage classification and reduction, and treatment of wastewater b. Recycle and reuse of energy-consuming articles; suppliers are encouraged to jointly promote paper recycle, use of recycled paper and resource recycle. c. Use low-energy office facilities and supplies, and put the energy-saving products in the first choice when purchasing, and include the necessary inspection items to improve the energy-saving ratio. <p>(3) The Company is also concerned about the impact of climate change on the operating activities, and has formulated the "Energy-saving and Carbon-reduction Management Policies" to minimize the impact of the Company's operations on the natural environment. Moreover, it is engaged in the research and development, production and service operations in accordance with the following principles.</p> <p>It is explained as below:</p> <ul style="list-style-type: none"> a. Reduce the resource and energy consumption of products and services. b. Reduce the discharge of pollutants, toxic substances and wastes, and 	(3) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(4) Does the company calculate the greenhouse gases (GHG) emission, water consumption and total weight of wastes for the past two years, and formulated the strategies for energy conservation, carbon reduction, GHG emission reduction, water saving and management of other wastes?	√		<p>properly dispose wastes</p> <p>c. Improve the recyclability and reuse of the raw materials or products.</p> <p>d. Maximize the sustainable use of renewable resources.</p> <p>e. Extend the durability of the products.</p> <p>f. Increase the performance of products and services.</p> <p>(4) The Company calculates the GHG emissions based on the carbon emission coefficient defined by the Bureau of Energy, the Ministry of Economic Affairs. The GHG emissions in 2017-2018 were 1110.21 metric tons and 1145.77 metric tons respectively. The Company establishes the energy-saving and carbon-reduction management policy, which is committed to promoting water saving, energy conservation, waste reduction and resource recycling. In the most recent period, it sets the goal to reduce carbon per unit of revenue by 1% in 2023, namely, five years considered as a period with 2018 as the reference year.</p>	(4) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
4. Social issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) Besides the working rules and various internal management regulations in accordance with the related provisions of the Labor Standards Act and other relevant laws and regulations, the Company also establishes the "Corporate Social Responsibility Best Practice Principles" to protect the basic human rights of all employees and stakeholders and safeguard the social benefits. In addition, the supervisors at all levels are required to take the “human sentiment”, “ethics” and “laws” into consideration in the daily management based on the principle of caring for the employees.	(1) None.
(2) Does the Company formulate and implement reasonable policies of staff welfare (including compensation, vacation and other welfares), and reflect the operating performance or achievement in the	V		(2) Apart from the leave system superior to the Labor Standards Act, the Company also provides travel and related allowances in addition to benefits such as free group insurance and regular health check-ups. It extremely emphasizes on the employee rewards, so it implements employee profit distribution plans in addition to the annual salary raise every year.	(2) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
<p>compensation of the employees properly?</p> <p>(3) Does the Company create a safe and healthy working environment and provide safety and health education for employees regularly?</p>	V		(3) The Company conducts safety and health inspections of working environment regularly on a quarterly basis. It conducts safety and health education for new recruits and in-service employees through online and physical courses, and also implements fire protection drilling every six months. In the implementation of health protection management, it conducts health check-ups and special operation inspections annually for the employees, so as to prevent occupational diseases. Moreover, it provides on-site medical and nursing services in accordance with the provisions of the occupational safety laws and regulations, and also provides the health consultation and promotion for the employees. Related health lectures and first aid knowledge instructions are held randomly.	(3) None.
<p>(4) Does the Company provide employees with opportunities for career development and training?</p>	V		(4) The Company plans the individual performance management and development goals based on the balanced scorecard of each department, and establishes the "Performance Management and Development Plan Table", which attaches great importance to the self-development plan submitted by employees (writing down 1 to 3 ability items that take the priority for	(4) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(5) Does the Company follow regulations and international standards in the customer health, safety, customer privacy, marketing and labeling of its products and services, and set policies and appeal procedures for protection of consumer’s rights and interests?	V		enhancement and development), and is planned in the Company's annual education and training plan. (5) The marketing and labeling of the Company's products and services comply with relevant regulations and international standards such as: ISO9000 UL, CE and other regulatory standards. The customer service zone is provided on the Company's website, which is available for the customer to raise questions at any time regarding customer technical support, Q & A information and contact windows. The Internal Control Management Regulations stipulate the customer complaint handling or customer satisfaction management procedures. It shall pay attention to and actively respond to the customer complaints or suggestions.	(5) None.
(6) Does the Company formulate the supplier management policies and require suppliers to follow relevant norms on environmental protection,	V		(6) The Company establishes the "Supplier Management Operation Procedures", and conducts supplier evaluation management based on the ISO third-party management instructions. Suppliers are required to follow environmental protection, safety and health, labor and human rights, and ethics regulations, etc. The supplier evaluation also includes this issue when conducting field inspection.	(6) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
occupational safety and health, or labor’s human rights, and disclose the implementation?				
5. Does the Company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the Company? Does the Company obtain a third-party verification or assurance for such reports?		V	The Company refers to the guidelines and formulates the “Corporate Social Responsibility Best Practice Principles”. However, considering the scale of the Company's operations, it hasn’t prepared a CSR Report verified by a third-party.	In evaluation.
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: None.				

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices :</p> <p>(1)The Company attaches great importance to employee rights. It regularly conducts surveys on employee satisfaction and education training, revises and arranges related courses based on the employee needs. In addition, the “Employee Welfare Committee” is set up to show care for employee’s lives, so as to protect employee’s rights and interests and enhance employee welfare, with the expectation to create a better working environment and development space for employees.</p> <p>(2)The Company also provides a safe and healthy work environment for employees, including the provision of necessary health and first-aid facilities. Moreover, it is committed to reducing the factors that are hazardous to the employee's safety and health, and regularly implements education and training on safety and health, so as to prevent occupational disasters.</p> <p>(3)Environmental protection: The Company is engaged in the research and development and production of automatic inspection equipment. The factory is located in the Hwa Ya Technology Park in Taoyuan. The Hwa Ya Technology Park Administration requires paying the sewage treatment fee annually, which is also responsible for stipulating the environmental protection policies. There is no environmental pollution incident so far. The operations of the existing pollution prevention facilities could meet the inspection standards of environmental protection agencies.</p> <p>(4)The Company works with the suppliers to enhance the corporate social responsibility jointly: Since the establishment of the Company, it handles the supplier management issues with a proactive and practical attitude all the time, and it is committed to and ensure the safety of the overall supply chain environment. During the purchasing process, it also shows respect to the suppliers and indeed implements the supplier code of</p>				

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
<p>conduct to work together to enhance corporate social responsibility. In addition, we also conduct on-site audits on their labor sites, environmental safety and labor conditions at the premises of the supplier.</p> <p>(5)Social responsibilities:</p> <p>a. Besides the focus on the business development of the industry, the Company will repay the public in a timely manner for the Company's social responsibilities, such as consumption rights and social welfares, etc. Through commercial activities and donations, it participates into the civic organizations on community development and education, charity and public welfare organizations and local government agencies.</p> <p>b. It actively purchases energy-saving label equipment, low-energy consumption, green energy office supplies, office equipment, information equipment, lighting equipment and related equipment. When the office equipment is not in use, it will automatically enter the power-saving mode. Moreover the energy-saving bulbs are used to replace the traditional bulbs, so as to avoid ozone depletion.</p> <p>c. It avoids or regulates the use of materials and packaging supplied by the suppliers that endanger the human body and the environment as required by international laws and regulations, so as to strive for the CSR enhancement.</p> <p>(6)Investor relations and interested parties: The special line for spokespersons is available and the online investor service zone is planned on the external website.</p>				

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p>	V		(1) The Company passed the [Ethical Corporate Management Principles] upon the resolution of the Board on October 26, 2016, which is disclosed on the MOPS and the official website. The policies and practices of business integrity management are addressed in the regulations and publicly available documents. The directors and senior management are also required to present a statement of compliance with the business integrity management policies.	(1) None.
<p>(2) Does the company establish appropriate precautions against high-potential unethical</p>	V		(2) The [Ethical Corporate Management Principles] formulated by the Company sets up	(2) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company formulate the operation procedures, guidelines, disciplinary and appeal system against unethical conduct? Does the Company implement and regularly review to revise them?</p>	V		<p>the Risk Management Office affiliated to the Board. It is responsible for regularly analyzing and evaluating the risks of unethical conduct within the operation scope, based on which the unethical conduct prevention schemes are formulated. Moreover, it also establishes business related SOP and guidelines in these schemes.</p> <p>(3) As for the unethical conduct prevention schemes formulated by the Company, the operation procedures and guidelines covers the following matters:</p> <p>a. Criteria for identifying the provision or reception of improper benefits.</p> <p>b. Procedures for handling the provision of legal political contributions.</p>	(3) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<ul style="list-style-type: none"> c. Procedures for handling and the amount limits of provisions of proper charity donation or sponsorship. d. Procedure for reporting and handling the avoidance of interest conflicts of related to the position. e. Confidentiality requirements for confidential and commercial sensitive information acquired for business. f. Regulations and procedures for handling the suppliers, customers and business transaction partners involved in unethical conduct. g. Procedures for handling violations against the Ethical Corporate Management Principles of the Company. 	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>h. Disciplinary action taken against those involved with the violation.</p> <p>It pays attention to the development of business integrity management related regulations at home and abroad any time, and encourages the employees to propose suggestions to review and improve the Principles, so as to enhance the effectiveness of the business integrity management in the Company.</p>	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p>	V		<p>(1) The standard sales contract of the Company clearly states that the contract should be performed in compliance with the business integrity principles. If one party is involved in any misconduct such as dishonesty, corruption</p>	<p>(1) None.</p>

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		<p>or bribery, the other party shall terminate or cancel this contract at any time. If an employee violates the business integrity policies, he will be warned for the first time and the annual bonus (including performance and year-end bonus) will be cancelled. As for the second time, he will be dismissed, and required to compensate all damages. This demonstrates our determination of implementing the business integrity management.</p> <p>(2) To improve the business integrity management, the Company has set up the Risk Management Office affiliated to the Board. The manager of HR Division is responsible for coordinating the managers of Legal Division, Audit Office, and Project Management to formulate the business</p>	(2) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>integrity policies and supervise the implementation (at least on an annual basis), which shall be reported to the Board. The implementation status of the business integrity management was reported to the Board for the year on 2019/11/06, including: business integrity management advocacy, education and training for business integrity and ethics policies, organization of risk prevention-supplier application management-ethics commitment and reporting system, etc.</p> <p>(3) The Company formulates policies to prevent conflicts of interest and provides appropriate channels for the employees to proactively report whether they have potential conflicts of</p>	(3) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		interest in the Company. (4) The Company has established an effective accounting system and internal control system. The accounting personnel shall perform strict review when paying related expenses. The Audit Office shall regularly check compliance and report to the Board regularly.	(4) None.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) Business integrity is the core value of the Company, which is advocated during trainings for new recruits and the general meetings of the entire company. In 2019, the Company held internal and external educations and trainings related to business integrity management issues (including compliance with business integrity management regulations, corporate social responsibility, success of R & D patents and	(5) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			infringement litigation, safety management of production and business units, accounting systems and internal control, and etc.) for a total of 51 persons, with a total of 301 training hours.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The "Ethical Corporate Management Principles", "Ethical Code of Conduct" and "Employee Suggestions and Appeals Management Measures" stipulated by the Company encourage employees to report any illegal conduct or misconduct against the Ethical Code of Conduct. It has also formulated regulations for handling complaints, and established internal and external whistleblowing channels and	(1) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		<p>processing procedures. The employees under the Group can report in person or through the independent reporting mailbox and dedicated line announced on the official website when submitting complaints of business integrity violations to the unit responsible for handling such complaints.</p> <p>(2) The Company has established specific reporting channels and complete processing procedures. The files regarding the acceptance of reporting case, investigation process, investigation results and related documents shall be archived as records. It also keeps the identity of the informant and the content of the report confidential, and supports anonymous reporting. If an investigation reveals a major</p>	(2) None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?	V		violation or the Company is at risk of major damage, it shall immediately submit a written report to the independent directors. (3) The "Employee Suggestions and Appeals Management Measures" stipulates that the investigation process and related materials should be kept confidential. The relevant parties have the obligation to cooperate with the investigation. The heads of various departments shall not dismiss, transfer, or conduct other penalties unfavorable to the performance for the employees who submit complaints or assist others in appealing.	(3) None.
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its	V		The Company has disclosed the Ethical Corporate Management Principles as well as the information	None.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
implementation on the company’s website and MOPS?			on the related corporate culture and operational policies on the official website.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. No differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). (a) The Company complies with the Company Act, Securities and Exchange Act, Business Accounting Law, regulation related to public companies and other commercial conducts, as the basis for the implementation of business integrity management. (b) The Company has "Internal Material Information Processing Operations" and "Insider Transaction Prevention Management Procedures", which clearly stipulates that directors, managers and employees shall not disclose known internal material information to others, and shall not inquire or collect the Company's undisclosed internal material information that is not related to the individual's duties from those who are aware of such information. For those who are aware of the undisclosed internal material information not acquired by implementation of businesses, it shall not disclose such information to others.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

3.3.7 If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

The Company's Ethical Corporate Management Best-Practice Principles have been posted on the Company's website and MOPS.

3.3.8 Other Important Information Regarding Corporate Governance:

The Company establishes the "Internal Material Information Processing Operations" and "Insider Transaction Prevention Management Procedures", as well as irregularly review the compliance with current laws and the demands of practical management, so as to establish a good internal material information processing and disclosure mechanism, avoid improper disclosure of information, and ensure the consistency and accuracy of the Company's information announced externally, as well as the compliance with the related procedures and laws. This regulation is also announced in the internal document management system for all employees, which can be inquired by employees, managers and directors at any time. At the same time, it randomly advocates notes for material information to all employees of the Company.

3.3.9 Internal Control Systems

1. Internal Control System Statement

**Test Research, Inc.
Internal Control System Statement**

Date: February 26, 2020

In 2019, the Company conducted an internal audit of its internal control system and hereby declares the following:

- I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the

Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2019 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. VII. This statement was passed by the Board of Directors on February 26, 2020, with none of the six attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Test Research, Inc.

Chairman and President: Chieh-Yuan, Chen

2. If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

3.3.10 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings in the past year and up to the date of report

1. Major resolutions of the shareholders' meeting and implementation

The Company convened 2019 Annual General Shareholders Meeting on May 29, 2019, the major resolutions of the shareholders' meeting and implementations are listed as below:

Major resolutions	Implementation status
1. Approval of the 2018 business report and financial statements.	1. Followed the results of resolution.
2. Approval of the 2018 earning distribution plan.	2. The 2018 earning distribution has been fully allocated. June 14, 2019 is set as the ex-dividend date and July 5 of the same year is set as the cash dividend payment date. The cash dividend is NT\$3.7 per share.
3. Approval of amendment to the Company's Articles of Association.	3. Approved and registered by the Ministry of Economic Affairs on June 11, 2019, and related matters were handled in accordance with amended regulations.
4. Approval of amendment to the Company's Operating Procedures for Acquisition or Disposal of Assets.	4. The amended "Procedures for Acquisition or Disposal of Assets" were uploaded to the MOPS and disclosed on the company website on May 30, 2019, and matters were handled in accordance with the amended procedures.

2. Major resolutions of the board of director

Item	Date	Major resolutions
Board meeting	2019.02.27	<ol style="list-style-type: none"> 1. Approval of the Year 2019 business plan. 2. Approved the proposal of Remuneration committee. 3. Approval of the 2018 business report and financial statements. 4. Adoption of 2018 Earning Distribution Plan. 5. Approval of amendments to the Company's Articles of Association. 6. Approval of amendments to the Company's Operating Procedures for Acquisition or Disposal of Assets. 7. Passed the proposal for the appointment and compensation assessment of CPAs. 8. Passed The Company's 2019 shareholders meeting held matters. 9. Approved the assessment of the effectiveness of the company's internal control system during the year 2018. 10. Passed company's year 2018 annual —Internal Control System Statement. 11. Approved to amend the Internal Control System.
Board meeting	2019.05.08	<ol style="list-style-type: none"> 1. Report the Company's financial statements for the first quarter of year 2019. 2. Passed the proposal for the independence assessment of CPAs. ° 3. Approved the appointment of The Company's Secretary. 4. Approved to amend the Internal Control System.
Board meeting	2019.05.29	<ol style="list-style-type: none"> 1. Passed the ex-dividend date of year 2018 cash dividend distribution. 2. Approved to establish the Standard Operating Procedures for Handling Directors' Requests.
Board meeting	2019.08.07	<ol style="list-style-type: none"> 1. Report the Company's financial statements for the 2019 semi-annual financial statements. 2. Approved the proposal of Remuneration committee. 3. Approved to amend the Company's Ethical Corporate Management Best Practice Principles. 4. Approved to set branch office in Vietnam. ° 5. Approved to amend the Internal Control System.
Board meeting	2019.11.06	<ol style="list-style-type: none"> 1. Report the Company's financial statements for the third quarter of year 2019. 2. Approval of the Year 2020 audit plan. 3. Approved to set up subsidiary in Korea. 4. Approved to amend the Internal Control System.
Board meeting	2020.02.26	<ol style="list-style-type: none"> 1. Approval of the Year 2020 business plan. 2. Approved the proposal of Remuneration Committee. 3. Approval of the 2019 business report and financial statements. 4. Adoption of 2019 Earning Distribution Plan. 5. Approval of amendments to the Company's Operation Procedure for Lending Funds to Others. 6. Approval of amendments to the Company's Procedures

Item	Date	Major resolutions
		<p>for Endorsement & Guarantee.</p> <p>7. Approved to establish the Company's Rules for Board of Directors Performance Assessments.</p> <p>8. Passed the proposal for the appointment and compensation assessment of CPAs.</p> <p>9. To elect nine directors (including three independent directors).</p> <p>10. Approved the nomination of director candidates.</p> <p>11. Approved the proposal of releasing the prohibition on new directors from participation in competitive business.</p> <p>12. Passed company's 2020 shareholders meeting held matters.</p> <p>13. Approved the assessment of the effectiveness of the company's internal control system during the year 2019.</p> <p>14. Passed company's year 2019 annual —Internal Control System Statement.</p> <p>15. Approved to amend the Internal Control System.</p>

3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None.

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers, Taiwan	Pan, Hui-Lin	2019.01.01~2019.12.31	None.
	Liao, A-Shen		

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT\$ Thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		870	870
2	NT\$2,000,001 ~ NT\$4,000,000	3,770		3,770
3	NT\$4,000,001 ~ NT\$6,000,000			
4	NT\$6,000,001 ~ NT\$8,000,000			
5	NT\$8,000,001 ~ NT\$10,000,000			
6	Over NT\$100,000,000			

Unit: NT\$ Thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PricewaterhouseCoopers, Taiwan	Pan, Hui-Lin	3,770	-	-	-	870	870	Year 2019	Transfer Pricing Analysis; Master File
	Liao, A-Shen								

3.4.2 If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed:
None.

3.4.3 If the audit fees were reduced more than 15% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

3.5 Replacement of CPA: None.

3.6 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2019.

3.7 Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of Mar. 29, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Kuang-Chao, Fan	9,000	0	0	0

Note: Shares trading with Non- Related Parties.

3.8 Relationship among the Top Ten Shareholders

As of March 29, 2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Chieh-Yuan, Chen	37,889,235	16.04%	17,338,054	7.34%	0	0	Mei-Hsing, Yeh Der-Hsin Investment Co., Ltd. Der-Sheng Investment Co., Ltd.	Spouse Shareholder Shareholder	-
Mei-Hsing, Yeh	17,338,054	7.34%	37,889,235	16.04%	0	0	Chieh-Yuan, Chen Der-Hsin Investment Co., Ltd. Der-Sheng Investment Co., Ltd.	Spouse Shareholder Shareholder	-
Der-Hsin Investment Co., Ltd. Mei-Hsing, Yeh	13,464,174 17,338,054	5.70% 7.34%	0 37,889,235	0 16.04%	0	0	Mei-Hsing, Yeh Chieh-Yuan, Chen	Note 4	-
Der-Sheng Investment Co., Ltd. Mei-Hsing, Yeh	9,595,370 17,338,054	4.06% 7.34%	0 37,889,235	0 16.04%	0	0	Mei-Hsing, Yeh Chieh-Yuan, Chen	Note 4	-
Fidelity Investment Trust: Fidelity International Small Cap Fund	7,615,000	3.22%	0	0	0	0	-	-	-
Government of Singapore	7,499,060	3.17%	0	0	0	0	-	-	-
Cooperative Bank Co., Ltd.	4,928,000	2.09%	0	0	0	0	-	-	-
Norges Bank, Norway	4,738,938	2.01%	0	0	0	0	-	-	-
Nan Shan Life Insurance Company, Ltd.	4,304,000	1.82%	0	0	0	0	-	-	-

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	3,001,000	1.27%	0	0	0	0	-	-	-

Note1: The names of all top ten shareholders shall be listed, and the names of institutional shareholder and representative shall be listed separately.

Note2: The shareholding rate is calculated based on the shares held in the name of himself, spouse, minors or others.

Note3: For the shareholders listed above including the legal persons and the individuals, their relations are disclosed.

Note4: Chieh-Yuan, Chen and Mei-Hsing, Yeh are the major shareholder of Der-Hsin Investment Co., Ltd. and Der-Sheng Investment Co., Ltd.

3.9 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
TRI INVESTMENTS LIMITED	6,724,109	100%	0	0	6,724,109	100%
DOLI TRADING LIMITED	801	100%	0	0	801	100%
TEST RESEARCH USA, INC.	1,518,935	100%	0	0	1,518,935	100%
TRI TEST RESEARCH EUROPE GMBH	(Note 1)	100%	0	0	(Note 1)	100%
TRI Japan Corporation	720	100%	0	0	720	100%
TRI MALAYSIA SDN BHD	1,000,000	100%	0	0	1,000,000	100%

Note 1: A limited company without shares.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Unit: Shares; NT\$ Thousand

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1989/04	—	—	5,000,000	—	5,000,000	Establishment Capital	—	—
1995/02	—	—	10,000,000	—	10,000,000	Capital Increase by Cash	—	—
1995/11	—	—	30,000,000	—	30,000,000	Capital Increase by Cash	—	—
1996/07	—	—	80,000,000	—	80,000,000	Capital Increase by Cash	—	—
1997/08	10	18,000,000	180,000,000	11,880,000	118,800,000	Capital Increase by Cash Capital Increase by Retained Earnings	—	—
1998/07	10	19,860,000	198,600,000	18,760,000	187,600,000	Capital Increase by Cash Capital Increase by Retained Earnings	—	—
1998/12	66	19,860,000	198,600,000	19,860,000	198,600,000	Capital Increase by Cash	—	—
1999/06	10	36,000,000	360,000,000	30,680,000	306,800,000	Capital Increase by Retained Earnings	—	(88)Tai-Tsai-Zheng (1)No.36650 dated April 30, 1999
2000/07	10	38,000,000	380,000,000	37,380,000	373,800,000	Capital Increase by Retained Earnings	—	(89)Tai-Tsai-Zheng (1)No.58495 dated July 6, 2000
2001/11	10	80,000,000	800,000,000	50,200,000	502,000,000	Capital Increase by Retained Earnings	—	(90)Tai-Tsai-Zheng (1)No.143081 dated July 5, 2001
2002/07	10	85,000,000	850,000,000	61,572,400	615,724,000	Capital Increase by Retained Earnings	—	(91)Tai-Tsai-Zheng (1)No.127097 dated May 17, 2002
2003/09	10	85,000,000	850,000,000	75,747,880	757,478,800	Capital Increase by Retained Earnings	—	Tai-Tsai-Zheng 1 No.0920136606 dated August 13, 2003
2004/10	10	100,000,000	1,000,000,000	88,827,060	888,270,600	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng 1 No.0930136184 dated August 13, 2004

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2005/09	10	120,000,000	1,200,000,000	109,042,500	1,090,425,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.0940130810 dated July 28, 2005
2006/09	10	136,000,000	1,360,000,000	127,660,000	1,276,600,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.0950133006 dated July 27, 2006
2007/09	10	160,000,000	1,600,000,000	153,800,000	1,538,000,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.0960038740 dated July 24, 2007
2008/09	10	200,000,000	2,000,000,000	185,300,000	1,853,000,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.09700346772 dated 2008.07.10
2009/10	10	250,000,000	2,500,000,000	192,573,447	1,925,734,470	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.0980040149 dated August 2, 2009
2010/08	10	250,000,000	2,500,000,000	202,202,000	2,022,020,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.0990034331 dated July 2, 2010
2011/08	10	250,000,000	2,500,000,000	216,356,000	2,163,560,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng1 No.1000030072 dated June 29, 2011
2012/08	10	250,000,000	2,500,000,000	222,846,000	2,228,460,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng-F a-Zi No. 1010027650 dated June 22, 2012
2013/08	10	250,000,000	2,500,000,000	236,216,000	2,362,160,000	Capital Increase by Retained Earnings	—	Jin-Guan-Zheng-F a-Zi No. 1020025905 dated July 3, 2013

Note: The Company used to be a limited company before August, 1997.

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Outstanding shares (Note)	Un-issued Shares	Total Shares	
Common Stock	236,216,000	13,784,000	250,000,000	—

Note: Shares of listed companies.

Information for Shelf Registration: None.

4.1.2 Status of Shareholders

As of March 29, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	2	63	16,293	149	16,507
Shareholding (shares)	0	9,232,000	30,056,539	144,490,444	52,437,017	236,216,000
Percentage	0	3.91%	12.72%	61.17%	22.2%	100%

4.1.3 Shareholding Distribution Status

A. Common Shares

Par value: NTD10/Share ; As of March 29, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	3,842	819,116	0.35%
1,000 ~ 5,000	9,681	20,047,435	8.49%
5,001 ~ 10,000	1,507	11,525,754	4.88%
10,001 ~ 15,000	449	5,644,272	2.39%
15,001 ~ 20,000	297	5,398,362	2.29%
20,001 ~ 30,000	243	6,132,214	2.6%
30,001 ~ 50,000	131	4,613,914	1.95%
40,001 ~ 50,000	77	3,564,602	1.51%
50,001 ~ 100,000	129	9,101,524	3.85%
100,001 ~ 200,000	70	10,034,522	4.25%
200,001 ~ 400,000	27	7,650,946	3.24%
400,001 ~ 600,000	18	8,532,042	3.61%
600,001 ~ 800,000	7	4,650,742	1.97%
800,001 ~ 1,000,000	4	3,319,541	1.41%
1,000,001 or over	25	135,181,014	57.21%
Total	16,507	236,216,000	100.00%

B. Preferred Shares: None.

4.1.4 List of Major Shareholders

As of March 29, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Chieh-Yuan, Chen	37,889,235	16.04%
Mei-Hsing, Yeh	17,338,054	7.34%
Der-Shin Investment Co., Ltd.	13,464,174	5.7%
Der-Sheng Investment Co., Ltd.	9,595,370	4.06%
Fidelity Investment Trust: Fidelity International Small Cap Fund	7,615,000	3.22%
Government of Singapore	7,499,060	3.17%
Cooperative Bank Co., Ltd.	4,928,000	2.09%
Norges Bank, Norway	4,738,938	2.01%
Nan Shan Life Insurance Company, Ltd.	4,304,000	1.82%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	3,001,000	1.27%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Items	2018	2019
Market Price per Share		
Highest Market Price	80.10	57.40
Lowest Market Price	41.05	44.90
Average Market Price	52.42	50.94
Net Worth per Share		
Before Distribution	22.64	22.79
After Distribution	18.94(Note 2)	(Note 3)
Earnings per Share (Note 4)		
Weighted Average Shares (thousand shares)	236,216	236,216
Diluted Earnings Per Share	4.51	3.97
Adjusted Diluted Earnings Per Share	4.48	3.96
Dividends per Share		
Cash Dividends	3.7	3.3
Stock Dividends		
• Dividends from Retained Earnings	0	0
• Dividends from Capital Surplus	0	0
Accumulated Undistributed Dividends	0	0
Return on Investment		
Price / Earnings Ratio (Note 1)	11.62	12.83
Price / Dividend Ratio (Note 2)	14.17	15.44
Cash Dividend Yield Rate (Note 3)	0.07	0.06

Unit: NT \$

Note 1: The year's high and low market prices of common stock are provided and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Based on the distribution resolved by the shareholders meeting of the next year.

Note 3: Earning distribution for 2019 has not been approved by 2020 Shareholders' Meeting.

Note 4: Retroactively adjusted for EPS.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

After the final accounts of the Company, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years and then set aside a legal reserve of 10% of the net profit. However, it is an exception when the legal reserve of profit reaches the capital sum. After an additional special reserve shall be set aside or reversed in compliance with laws, it shall be the distributable profit of the year. Together with the undistributed profit at the end of the period, it will be the cumulative distributable profit of the shareholders. The Board shall work out the earning distribution plan, and submit it to the shareholders meeting for resolution on distribution. The Company is engaged in the industries related to high-tech automatic inspection devices. It is in the growth period of the corporate life cycle. To cope with the overall environment and characteristics of industrial growth, achieve business sustainability, and pursue the long-term profit of the company and stabilize operating performance goals, the dividend policy of the Company shall be based on the capital expenditure budget and the capital demands in the future. The dividend for shareholder shall be appropriated from the cumulative distributable profit, which shall be no less than 60% of the distributable profit of the current year. The cash dividend shall be no less than 50% of the amount distributed in the current year.

B. 2020 Shareholder's Meeting Proposal:

Cash dividend of NT\$ 3.3 per share, with a total of NT\$ 779,512,800.

C. The Situation in Which the Dividend Policy is Expected to Change Significantly: None.

4.1.7 Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share:

Not applicable.

The Company did not disclose the financial forecast in year 2020 so it is not necessary to disclose the forecast information of the year 2020

4.1.8 Compensation of Employees and Directors

A. Article 29-1 of the Company's Articles of Association stipulates that:

" If the Company gains some profits in the year, it shall make up the loss based on the pre-tax profit before deducting the remuneration of the employees. If there are still some profits remaining, it shall appropriate no less than 1% as the remuneration of the employees, and no more than 2% as the remuneration of the directors. "

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The remuneration of employees and directors is based on the profitability of the

year, and is estimated at a certain ratio within the scope specified in the Company's Articles of Association. The appropriated amount is recognized as operating expenses for the current year. However, if the actual distribution amount resolved by the Board of Directors is different from the estimated amount, it is recognized as profit or loss in the following year.

C. Distribution of Compensation of Employees and Directors for 2019 Approved in the Board of Directors Meeting

- (1) 2019 employees' remuneration and directors' remuneration resolved is NT\$ 18,389,023 and NT\$9,473,130 respectively, and the above amount will be paid in cash. The resolution amount doesn't have any difference from the amount of expense recognized for 2019.
- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not Applicable.

D. Information of 2018 Distribution of Compensation of Employees and Directors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause, and how it is treated.

The Company's estimated employee compensation in 2018 was NT\$53,317,693, and the compensation to directors was NT\$10,920,490. There is no difference between the estimated amount and the actual amount distributed.

4.1.9 Buyback of Treasury Stock: None.

4.2 Bonds: None.

4.3 Preferred Shares: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.7 Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

- (1)CB01010 Machinery and Equipment Manufacturing.
- (2)CE01010 General Instruments Manufacturing;
- (3)CE01030 Photographic and Optical Equipment Manufacturing;
- (4)E604010 Machinery Installation Construction;
- (5)EZ05010 Apparatus and Gauge Installation Construction;
- (6)F113030 Wholesale of Precision Instruments;
- (7)F119010 Wholesale of Electronic Materials;
- (8)F213030 Retail sale of Computer, Office Machinery and Equipment;
- (9)F213040 Retail Sale of Precision Instruments;
- (10)F219010 Retail Sale of Electronic Materials;
- (11)F401010 International Trade;
- (12)I301010 Software Design Services;
- (13)I501010Product Designing;
- (14)ZZ99999 To carry on the business which are not prohibited or restricted by law except for the services licensed under approval.

2. Revenue distribution

	Unit ; NT\$ thousands	
Major Divisions	Total Sales in Year 2019	(%) of Total Sales
Automatic Inspection Devices	4,219,153	96.18%
Service Revenue	167,653	3.82%
Total	4,386,806	100.00%

3. Main products

- | | |
|--|---|
| (1) In-Circuit Tester | <p>Model: TR518 series</p> <p>Applicable to the electronic and information products.</p> |
| (2) Circuit board analysis and test fixture manufacturing services | <p>When the user designs the circuit board, it provides analysis on the measurable rate, so as to achieve the maximum test coverage when the circuit board design. In addition, it also provides test fixture manufacturing services.</p> |
| (3) General test integrated with circuit board and functional test | <p>Model: TR5001 series</p> <p>Applicable to electronic products such as information, communication, network, IA, DVD player, Digital camera, and LCD TV</p> |
| (4) Functional tester for assembly circuit board | <p>Model: TR5001FCT/TR5300FCT</p> <p>Applicable to high-end consumer electronics such as laptops, tablets, and smartphones.</p> |

- | | |
|--|---|
| (5) Multifunctional automatic tester for circuit board | Model: TR8001/8100 series
Applicable to laptops, PCs, PDAs, communication products, mobile phones, and etc. |
| (6) Solder paste automatic optical image inspection machine | Model: TR7007 series
Applicable to solder paste SD inspection of SMT production line |
| (7) Circuit board automatic optical image inspection machine | Model: TR7500/TR7700 series
Applicable to high-density PCBA products such as mobile phones, PDAs, communication products, motherboards, and laptops |
| (8) In-Line 3D X-Ray inspection machine | Model: TR7600 series
Applicable to high-density hidden multi-soldering components, such as BGA, QFN, PressFit Connector, etc |
| (9) 33MHz logic IC tester | Model: TR6836 series
Applicable to consumer IC |
| (10) Power supply management chip tester | Model: TR6800/TR6850 series
Applicable to Power IC, LDO, PWM driven IC, and etc. |
| (11) Yield Management System | The self-developed yield management system can be connected with the production and inspection equipment of SMT production line through advanced software functions to provide customers with the complete reports on production status and the real-time information of the yield rate on the production line. |

4. New products development

Unit: NT thousands

Items in the development plan	Funds to be invested
Multi-core, high-point assembly circuit board function tester and In-Line automation system	70,000/year
High-precision In-Line 3D assembly board inspection machine (3D AOI) and high-precision semiconductor AOI, 2D + 3D + OMM integrated functions; high-precision In-Line 3D solder paste inspection machine	250,000/year
High-speed two-way scanning In-Line 3D X-ray inspection machine and 3D CT X-ray inspection machine	

5.1.2 Industry Overview

1. Current situation and development of the industry:

The automatic inspection w is mainly used to accurately check and indicate the defective parts from the circuit board. Since there are dozens of or even hundreds of electronic parts on the circuit board, the problem such as missed insertion, wrong insertion, cold welding or part fault may occur during the manual or automatic insertion welding. If it relies on manual inspection, it is time-consuming and unreliable, which further affects the efficiency of the production process. The automatic detection equipment solves the aforementioned problems related to defects, reduces the defects found before shipment which may result in rework. Therefore, it is an indispensable detection assistant for the industries such as electronic information and communications in the production process. In recent years, assembly production lines have been faced with requirements for higher yield and output speed, which brings higher market demands for automatic inspection equipment and the stricter requirements for functionality. This will help equipment suppliers with high price / function ratio and fast R & D speed to seize more business opportunities.

The automatic inspection equipment can be divided into ICT, ATE, AOI, SPI, AXI, FCT and IC TESTER based on the functions:

A. In Circuit Tester (ICT):

It mainly combines the ICT with the production process, and sets the software program to inspect the open/short circuit on the circuit board, whether any electronic components included in the accessories are missing, reversed, or damaged during production. It belongs to static process tests.

B. Auto Test Equipment (ATE):

Besides the above static tests, it can only test the digital function of the IC on the circuit board. With the external power supply, it uses the PXI module on the test equipment to measure the analog and digital signals on the circuit board, which is applied to the quality inspection before shipment of the finished products. It belongs to dynamic functional test.

C. Automated Optical Inspection (AOI):

Due to the compact and slim design trend of information and communication products, it makes the circuit board testing technology more difficult. AOI uses optical image scanning / reading technology to replace general visual or traditional probe test. It solves the blind spots of the test for the assembled circuit board due to high distribution density of electronic components, such as skew, tombstone, lifted lead, scratches, polarity, excessive solder, insufficient solder, and etc.

D. Solder Paste Inspection (SPI):

SMT quality is determined by how to improve the printing quality of solder paste. The SPI can quickly measure the thickness and open/short circuit of each solder point, so as to solve the long-term troubles that 2D cannot solve. For compact and slim products, it won't cause poor contact due to small solder points, insufficient solder, vibration when use, thermal expansion and contraction, so as to improve the quality and capacity of

the process.

E. Automatic X-Ray Inspection (AXI):

For the traditional electrical measurement methods that adopt probe implanting, due to the high density of PCB parts, it is quite difficult to implant probes, so the test coverage is greatly reduced. The AOI system that uses visible light as the inspection light source cannot provide effective and satisfactory test coverage in high-density parts, micro parts, shielding solder joints of RF and high-frequency circuits, and etc. Through the good penetration and non-destructive inspection characteristics of X-Ray, it can be combined with traditional AOI systems to greatly improve the overall system test coverage.

F. Function Verification Tester (FCT)

It mainly checks whether the overall performance and specifications of the assembled circuit boards meet the product requirements. The tester applies rated performance indexes through the probe or connector for testing.

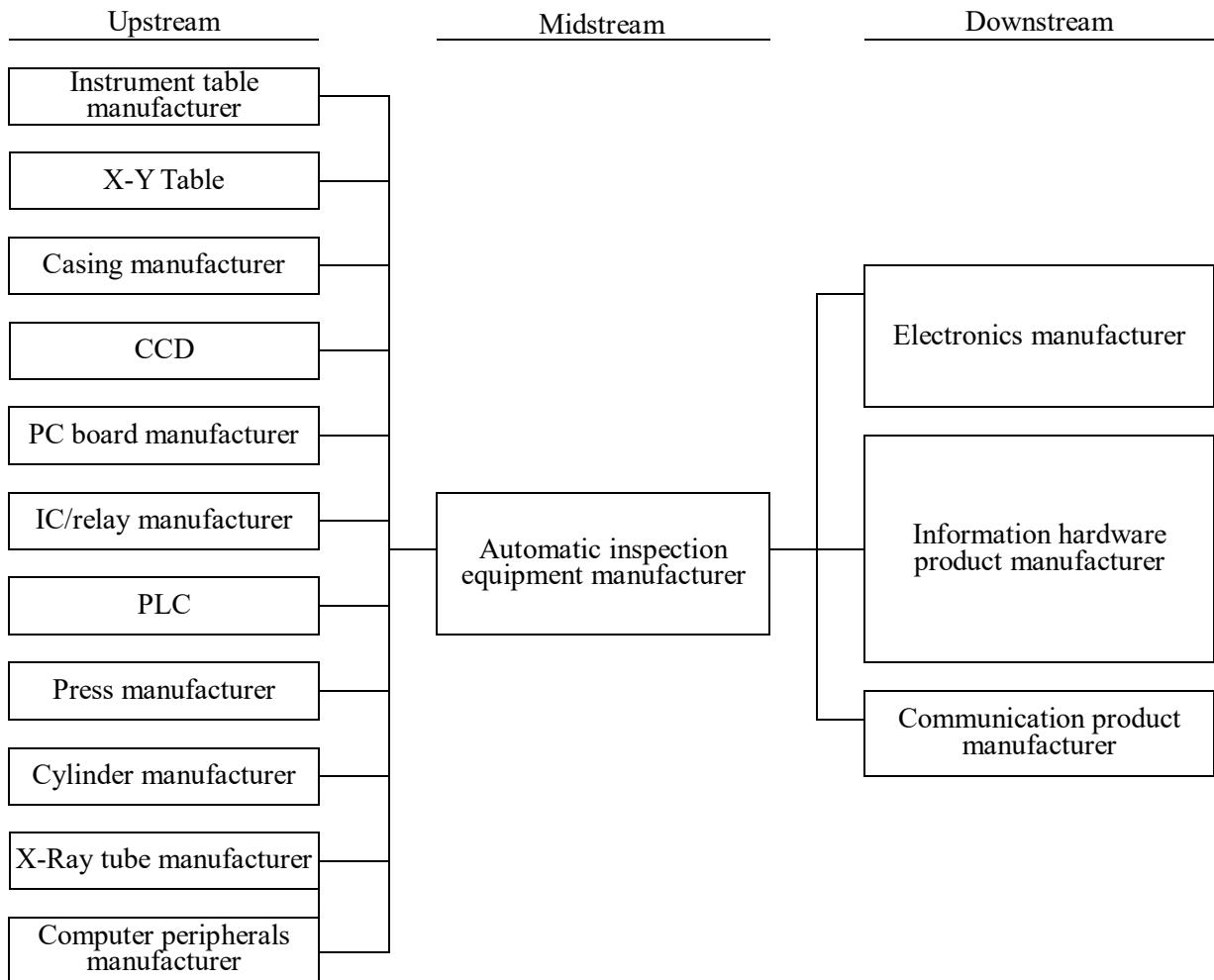
G. IC Tester

With the testing software, the tester sets the specifications and parameters, so as to control the hardware system to simulate various scenarios in which the tested IC will be applied in the future. It also collects and summarizes the functional test results of the tested IC returned from the hardware so as to judge whether it meets the preset specifications and create effective data for engineering analysis.

2. Correlation between the industrial upstream, midstream and downstream

The components needed for manufacturing and assembling the automatic inspection equipment of the Company are mostly purchased from major domestic manufacturers, such as: XY Table, image processing board CCD Camera and X-ray tube, instrument table, PC board, IC, press and computer. After the above-mentioned components are obtained, the Company processes, assembles and inspects them, and finally sells them to manufacturers of information, communications and other industries, which are used to inspect and test the components during its production process, so as to improve the production yield.

The correlation between the industrial upstream, midstream and downstream is shown as below:



3. Product development trend:

In recent years, technology products are developing towards the compact and slim trend. All manufacturers of mobile phones, digital cameras, LCD screens, and laptops are fully committed to promoting the slim feature of their products to consumers. In response to the trend of lightweight products, the products must be designed with smaller size while maintaining the original high yield, which is quite difficult. Taiwan's industry that is dominated by outsourcing, is forced to enter a brand new generation of technology. The manufacturers have invested a lot of funds to update or expand new production lines and purchase more advanced production equipment. In terms of automatic inspection equipment, the growth of the network and the integration of 3C will promote the market demands for automatic inspection equipment. In addition, the rapid growth of communications and portable audio-visual products will bring high market demands for testers with small size and high density of electronic component.

4. Product competition situation:

(1)ICT:

The manufacturers in Taiwan have been engaged in the field of ICT technology for many years, and have the advantages of the local manufacturers, such as rapid delivery

and complete customer service system. The product quality and service have been recognized by customers. Therefore, the ICT products are mainly by the manufacturers in Taiwan. Wherein, the products of the Company are the most competitive and take up the highest market share, with good market reputation, high awareness and high customer acceptance. The Company also pays close attention to the market competition and will further expand its market share through flexible product strategies and local customer service.

(2)ATE/FCT:

At present, the manufacturers in Taiwan are mostly OEM, ODM and EMS. As for the inspection equipment, the foreign customers often designate to use products from international large brands. The Company has developed non-multitask models and simplified the jig manufacturing process. The improved human-machine interface makes it easy-to-operate for users. As the circuit boards are getting highly complicated and integrated, the new generation of automatic inspection equipment is provided to replace the equivalent equipment made from foreign manufacturers gradually. Recently, it has obtained a number of European and American AVL certifications, which will be helpful for the product sales and market expansion.

(3)AOI/SPI/AXI:

At present, there are many foreign competitors related to AOI, SPI and AXI. After investing huge resources in the research and development for many years, the Company has released a comparable machine with well-known foreign manufacturers in terms of the inspection speed and functions. Such machine can fully meet the current strict testing requirements for small components, with extremely high competitiveness in the market. In addition to the miniature trend of electronics, the ICT and ATE equipment that originally used electrical testing will face the problem of incomplete testing (low coverage of insufficient testing points). It is expected that the demands for AOI / SPI / AXI equipment will still have growth space in the next several years.

(4)IC Tester:

Currently, most of the IC testers used in Taiwan's industries are imported. The foreign large manufacturers have accumulated many years of R&D and marketing experience, which have taken up quite high market share. In particular, they acquire the key technologies of high-end ICs with complex test processes and functional integration. With the circuit board testing experience accumulated for years, the Company has entered the field of IC testing. As the consumer ICs are widely applied, which covers the consumer electronics industries such as toys, musical instruments, and home appliances, as well as the fields of information and communications. Therefore, the Company's product development strategy initially takes the low-frequency (10MHz, 20MHz, 33MHz, 100MHz) logic IC testers as a niche market, and mainly promote the products to the consumer IC design, manufacturing companies, and packaging and testing plants.

5. Yield rate of the Company's products:

Under the requirements of the quality policy, "developing advanced technology, pursuing excellent quality, and satisfactory customer service", the Company has been working hard to

promote the design and production of high-precision and high-quality measurement equipment that will achieve a win-win outcome with customers. In terms of the quality requirements, it considers the R & D quality, process quality and service quality as the key elements of quality assurance. The Company has also set the installation yield rate, the repeated purchase rate of customers and the number of major factory certifications as the key performance indicators. Through the strategy roadmap, the quality goals are expanded to the entire company, so as to fully promote the implementation of quality. The implementation schemes such as quality verification for products developed, engineering design change process tracking, customer complaint handling, supplier quality counseling, subsidiary quality system linkage, etc. are all in pursuit of the goal of maximum customer satisfaction. Through quality cycles, it achieves continuous improvement and progress to provide customer-oriented quality services. However, under the constant challenge of pursuing better product quality, we are still committed to making breakthroughs. The "Time to Market" is the key in this new economic era. In terms of future efforts: we will strive to accelerate product commercialization, meet new technological challenges, and enhance the confidence in product reliability. We will provide high-quality assurance for our products and the customer's products, which is the Company's goal in quality.

5.1.3 Research and Development

1. Research and Development Expenses in the Past Two Years

Unit: NT thousands

Year	2018	2019
R&D Expenses (NT\$ thousands)	379,841	422,541
R&D Expenses as a Percentage of Sales Revenue	8%	10%

2. Research and Development Achievements of the TRI in the Past Five Years

Since the establishment, the Company has adhered to the faith of independent research and development, cultivated and recruited professional talents for a long time, so as to build a complete R & D system the covers the technologies of analog, digital, optical inspection, institutions, IC and system software. It aims to meet customer's multi-functional needs for products and maintain the market competitiveness with the technologies leading in the industry. The R&D achievements of the Company in the past five years are listed below:

Year	Major Products Developed	Product functions
2015	TR7007Q/QI SPI	<p>©TR7007Q was a high-precision stop-and-go 3D SPI. It adopts TRI's latest four-light source / dual light source design, and was equipped with optimized inspection path technology to enhance the inspection performance. The procedure based on the innovative programs could achieve the easy-to-operate feature, which provided maximum production value for the production lines of the user.</p> <p>© Won the 2015 Global Technology Award.</p>

Year	Major Products Developed	Product functions
2015	TR7700Q/QI AOI	<p>© TR7700Q / QI 3D AOI applied digital four-way fringe light projection technology, and combined with the newest 2D + 3D inspection technology, which brought a new revolution in the field of assembled circuit board inspection. The omnidirectional 3D digital stripe light technology covered a wide detection range. With excellent accuracy, it could show tiny coplanar defects and solder joint problems. TRI's 3D solder point and solder-wicking inspection could comply with IPC standards to ensure the quality of solder wicking. By checking the height and volume of solder wicking, TR7700Q 3D AOI could detect defects such as insufficient solder, missing solder, and empty soldering.</p>
2015	TR7600M SII AXI TR7600LL SII CT AXI	<p>© The 3D digital Computed Tomography(CT) technology was further developed based on the original 3D CT layer X-ray technology that could build a real 3D model of solder points, provide accurate solder point analysis models and data, and thus improve the yield of the process.</p> <p>© Won 2015 EM Asia Innovation Award.</p>
2015	TR7700 SII Plus AOI	<p>© It was the world's first hybrid Inline AOI that could be used for stop-and-go and dynamic imaging. TR7700 SII Plus combined a streamlined design with an advanced high-precision camera system and TRI's exclusive multi-phase light source. TR7700 SII Plus could capture unprecedentedly fine images of a full-size PCB. The new generation of inspection software combined with excellent defect inspection and simple automatic CAD programming, which was a reliable and flexible AOI inspection solution.</p>
2016	TR7710 DT AOI	<p>© TR7710 DT offline AOI combined with the high-resolution cameras and TRI's exclusive multi-phase light source to capture fine PCB images. With high depth of image, the new stop-and-go optical solution could inspect higher components and provide a variety of gap height ranges. It was a high-efficiency AOI solution that could meet customer budget needs.</p>
2016	TR5001 SII Series ICT	<p>© The new generation of TR5001 SII series ICT provided four independent test cores at maximum, which could support multi-core parallel test to greatly increase test capacity. TR5001 SII series could be integrated with external instruments to provide functional test, making it the most flexible ICT + FCT solution available in the market currently.</p> <p>© Won 2016 Global Technology Award, 2017 EM-Asia Innovation Award and 2017 Circuits Assembly NPI</p>

Year	Major Products Developed	Product functions
		Award.
2017	TR7700QE AOI	©TR7700QE AOI provided superior 3D solder paste and component assembly inspection functions by combining new generation of 2D and 3D technology based on four-direction adjustable variable position stripe light projection.
2017	TR7500QE AOI	©TR7500QE AOI combined the new generation of multi-angle 2D and 3D technology based on four-direction adjustable digital stripe light projection and four low-angle cameras. Together with the latest inspection software, it could ensure that there were no missing test results on PCBA.
2017	TR7600 SIII AXI	©TR7600 SIII AXI series was TRI's new generation of Inline PCBA inspection solution with indexes. TR7600 SIII combined fast high-resolution imaging speed, which greatly improved the image detection efficiency in the advanced automatic X-ray inspection.
2017	TR7600F3D AXI	©TR7600F3D combined with the ultra-high-resolution imaging and high-precision planar digital CT, as well as the newest and stable hardware platform and the brand new intuitive software interfaces to achieve excellent image quality and reliable inspection results.
2019	TR7700Q SII AOI	©With flexible detection algorithms and measurement functions, TR7700Q SII could perform accurate measurement and data transmission for smart factory applications. TR7700Q SII was a high-efficiency 3D AOI solution with high inspection speed and high accuracy.
2019	TR7600F3D SII AXI	©TR7600F3D SII was the new generation of 3D AXI platform capable of high-speed inspection up to 10 FOV / s. With the high-precision inspection function that could detect defects comprehensively, it could be easily integrated into the online MES connection in smart factories.

3. Research and Development Plan

(1) Goals of R&D strategies

The Company's research and development strategies are to be committed to automatic inspection equipment. With the development of Taiwan's information industry, communication industry and IC industry, the products developed by the Company can reduce the production inspection costs, improve the quality of product delivered, and thus improve the overall competitiveness for manufacturers. It makes our product lines of automatic inspection equipment more complete.

(2)Key R&D items

The Company's goal is to provide customers with an overall solution on automatic inspection equipment. In addition to constantly improving and optimizing the functions and quality of the commercialized products, the

Company will develop:

- A. High-efficiency automatic inspection equipment: that will provide higher testing speed and complete functional testing for products, improve product quality, and reduce the manpower and costs for testing.
- B. Intelligent Test Software Solutions: that will integrate with AOI, AXI, ICT, ATE, and Functional Test ATE test systems to improve test coverage and reduce overall test time. The intelligent software could improve process yield and product quality, and provide overall solutions of online product inspection for production.

5.1.4 Long-term and Short-term Development

1. Short-term Development

The short-term marketing goals that the Company strives for are to strengthen the global marketing and service network in addition to fully developing the Chinese market in Taiwan and Mainland China. It aims to penetrate into the market of non-Taiwanese businesses and expand the business scope and scale.

For the assembly of automatic inspection equipment industry, the Company has already taken up the leading position in the industry. With a large number of customer clusters, its product quality, services and functions have been deeply recognized by customers. It has also established good relations with electronic information and communication product manufacturers, won the trust of customers and built a good brand image.

ICT and ATE have been certified by many international manufacturers, which have been widely used in many well-known factories. Since SPI & AOI automatic inspection equipment has the same customer clusters as ICT and ATE, it can be quickly promoted to the existing customer clusters. Regarding the automatic inspection equipment, the marketing strategy of the Company is to provide customers with "overall solutions."

2. Long-term Development

It will accelerate the internationalization, strengthen the marketing of self-owned brands, and increase the exposure in various markets around the world, and establish the image of a professional tester manufacturer, so as to become "a well-known brand of global automatic inspection equipment". Moreover, it will collect market intelligence extensively, which will be taken as important reference for formulating product development and marketing strategies.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Target regions for main products:

The Company is mainly engaged in R & D, production, and sales services of automatic inspection equipment. It also constantly seeks breakthroughs in function and quality upon user's needs, so as to provide a complete solution for testing and assembled circuit boards. Besides the sales of testers, TRI also provides factory automation consulting services,

which realizes the most comprehensive automation process for the production lines of the factory. Moreover, the production lines could be controlled by the online computers, which is convenient and more efficient. In terms of after-sales service, the Company also provides warranty services including education and training, machine repair, replacement, calibration, and regular maintenance. In addition, the regular software update services are available to allow users to upgrade to more powerful technologies.

Sales (Service) Region:

Unit: NT thousands

(Year) (Division)	2018		2019	
	Sales	Percentage	Sales	Percentage
Domestic Sales	527,380	11%	990,568	23%
Export (including China, Europe, Japan, United States, Southeast Asia and Brazil).	4,392,046	89%	3,396,238	77%
Total	4,919,426	100%	4,386,806	100%

2. Market Share (%) of Major Product:

The Company has been engaged in the field of automatic inspection equipment for decades. At the same time, it has also operated in major markets such as Taiwan and Mainland China for a long time. It not only obtains a high reputation in the industry, but also invests considerable resources in product development and customer management, which is one of the leading brands in Greater China. It currently ranks among the top five globally and takes up the global market share of 10~20%.

3. Market supply, demand situation and future growth:

(1) Industrial characteristics

- a. The industry is R&D technology-oriented, which results in high barriers for new manufacturers to enter the market.

The existing manufacturers have accumulated many years of experience, acquired key technologies and been engaged in the market for a long time. All these are high market barriers and technical bottlenecks for new manufacturers.

- b. The products are widely applied and close linked with the development of downstream industry process.

The tester market covers the industries of electronics, information communication, telecommunications and others, which requires grasping customer demands at any time. Current, the development cycle of consumer products is about 3 months, and the life cycle of products is 6 months. In order to cope with the fast-changing product process, tester manufacturers must be able to meet customer requirements in advance. Otherwise, it will not be able to take up a place steadily in the market.

- c. It takes product function and service as the orientation, and focuses on the key customers

Generally, the tester manufacturers complete customized designs for specific customer needs. Therefore, function update and after-sales service are extremely

important.

- d. Low pollution and low energy consumption industry
The design of software and hardware and the mass production process do not consume a lot of energy or cause major pollution.

(2) Market demand

With the growth of the Internet and the rapid integration of 3C technology, it will show higher requirements for user-friendly interface. Taiwan's information manufacturers take advantage of the mature production technology and flexible manufacturing strength accumulated in the past. Under the rapid growth of global information appliance products, the related manufacturers in Taiwan have successively expanded their production and testing equipment to embrace the coming of post-PC era, which has also promoted the market demands for automatic inspection equipment.

(3) Market supply

The multi-functional automatic inspection equipment developed by the Company can take the advantage of the rapid delivery and the complete customer service system of local manufacturers. Moreover, the downstream applications consider to reduce production inspection costs. Thus, the imported inspection equipment will be gradually replaced. At the meantime, with the continuous growth of the information and telecommunication industry in Taiwan, the market supply in the future will be adequate since the tester manufacturers in Taiwan are engaged in this field for a long time and have acquired mature production technologies.

(4) Future development trend of the industry

- a. With the diversification of electronics and information products, the circuit design tends to be more and more complex, and the requirements for inspection coverage are stricter and it is upgraded toward functional digital measurement technology.
- b. Due to the compact and skim development trend of the electronics, the development of precision optical detection technology will be the development focus of the manufacturers in the future.

4. Favorable and Unfavorable Factors in the Long Term

Favorable factors that affect the future development of the Company

(1) R&D technical strength leading in the industry

The Company has spared no effort in the research and development of product technologies. In terms of hardware design, it has designed the host control board circuit for the automatic inspection equipment, fully mastered the key test technologies. With self-developed application software, it could accurately analyze the test results and feedback the process defects to the front-end manufacturer in real time. In this way, it achieves the purpose of improving the yield of the production process and reducing the inspection costs. Moreover, it greatly increases the added value of the integration of automatic inspection equipment systems, and releases new products that are leading in the industry, which have been recognized and complimented by customers. In addition, the customer's use suggestions and process development trends are reflected by the customer service personnel. After the relevant

departments evaluate the feasibility, it will improve the existing automatic detection equipment or develop new products to enhance the competitiveness among the competitors.

(2) Good brand image, and product competitiveness

The Company promotes the brand “TRI innovation” in the markets at home and abroad. With the long-term efforts in the field of tester, the high-quality products and professional repair services, it has established a good brand image and won the recognition and trust of renowned large factories at home and abroad. With rich experience in marketing equipment and a large number of customer clusters, the Company as a local manufacturer, is more competitive than foreign manufacturers in terms of supply speed, product repair and technical support. Thus our products gradually replace the costly testers made by the manufacturers in the United States and Japan.

(3) With the technical strength accumulated over the past years, it has diversified the product lines in the field of the assembled circuit board inspection, and provides complete inspection requirements and schemes for assembled circuit boards. Therefore, the Company is quite flexible in adjusting its technology and organizational structure, and can take advantage of the positive benefits of expanding its product lines in the right time.

(4) Sound operational and financial condition, and abundant manpower

The revenue of the Company has grown substantially since its establishment, and its financial condition is conservative and stable. Under the philosophy of "team, speed, innovation, integrity, and service" for a long time, we emphasize on the employee welfare, and establish responsibility-oriented management system, etc., so as to attract and retain outstanding employees. At the meantime, it spares no effort to conduct employee training and carry out cultivation plans. Abundant and excellent manpower, plus the Company's solid foundation, is critical for the future growth of the Company.

Unfavorable factors

Some foreign large information factories still designate foreign brand equipment: Despite the operations for many years, the increased global market share and higher awareness, some foreign large information factories still designate foreign brand equipment. As a result, the Company still has to continuously develop foreign AVL certification affairs of foreign large information factories.

Countermeasures:

- A. Strengthen product differentiation, and improve product functions to meet customer needs better; when facing various brands, customers will still consider product functions rather than price to make the decision.
- B. Establish a complete customer service system and real-time after-sales service, and help customers train production line engineers to make it get online easily; thus, they can solve the simple problems by themselves to avoid interruption of the production line and increase the confidence of downstream customers.
- C. Continuously and actively carry out the AVL certification of European and American large factories and maintain good relations with the above-mentioned OEM factories;

with the advantages of quick supply and low equipment and maintenance costs of local manufacturers, we could gain customer trust and establish opportunities for future cooperation between the two parties.

D. Develop overseas markets and expand marketing sites

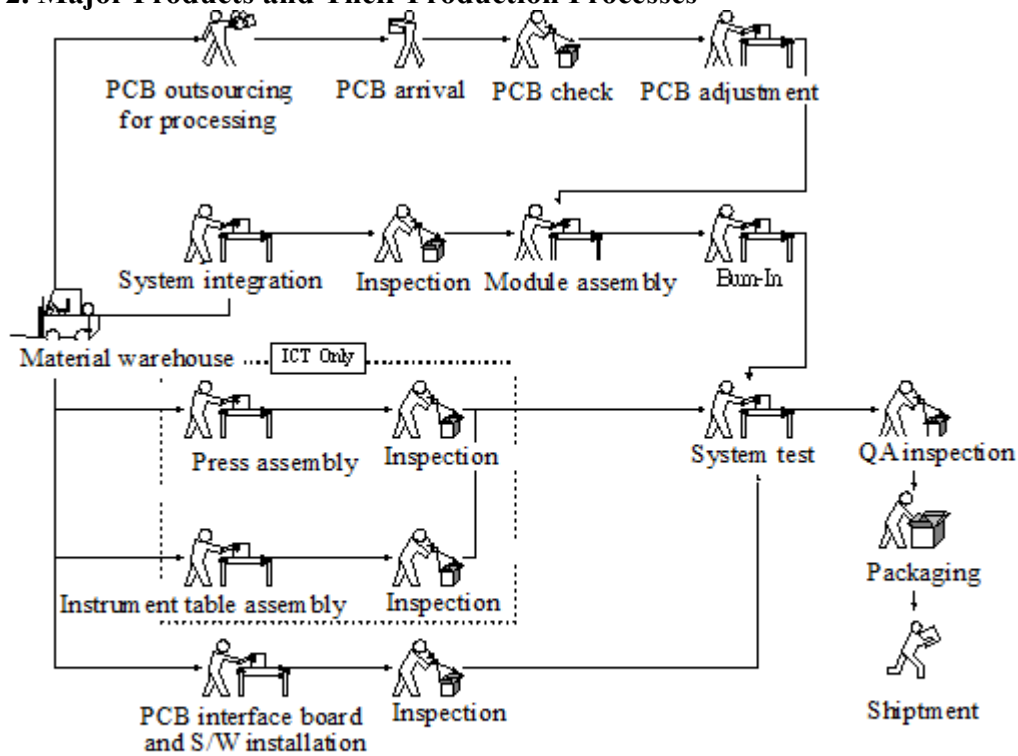
As the electronics, information, communication and other industries shift the production base to Mainland China, the Company has also set up sales and service sites in China and cooperates with local agents to fully grasp customer needs and trends at any time, so as to develop the potential markets in China. It also actively sets up sites in Asia, Europe, America and other regions and cooperates with local potential distributors to establish wide distribution network and expand the business in overseas markets.

5.2.2 Production Procedures of Main Products

1. Major Products and Their Main Uses

Products	Applications
ICT	Suitable for testing the functions of the assembled circuit board of the soldered parts and determining whether the circuit board is open/short circuited and whether the electronic components are missing, reversed, or damaged during production. The abnormal problems mentioned above will be firstly solved in the process to improve the quality management of the circuit board process. This reduces the number of defects found before shipment that may lead to rework.
ATE	In addition to performing the above tests, it can also test the IC digital functions of the circuit board. That is, apply external power is added to measure the linear and digital signals on the circuit board.
FCT	It checks whether the overall performance and specifications of the assembled circuit board meet the product requirements.
IC Tester	Test the functions of consumer IC.
AOI	Suitable for the inspection of the assembled circuit boards with small size and high density such as: Solder Volume, Missing Component, Skew Component, Tombstoned Component, Polarity & Marking, Solder Bridge, Missing Solder, Lifted Lead, Surface Defect on Gold Finger, and Surface Defect on PCB.
SPI	Suitable for solder point inspection before Pick and Places in the process of assembling the circuit board; it could minimize the defective rate of BGA parts welding and Solder Bridge during the process. It can also check the area, height, volume, insufficient, and excessive problems after printing the solder paste, so as to reduce the non-conforming solder joints derived from solder paste printing defects.
AXI	X-Ray AOI inspection machine mainly uses the penetration characteristics of X-Ray to present the images with various brightness on the camera acquisition. It can separate the upper and lower overlapping component images, makes computation and analysis for the images at different CT layer height by nine images taken by different directions of acquisition angle, so as to detect the defect the non-conformities on the circuit board. Especially for BGA components and the parts that can't be inspected visually, it can provide a more advantageous solution.

2. Major Products and Their Production Processes



5.2.3 Supply Status of Main Materials

Main materials	Location of major suppliers
Mechanism related parts	Taiwan
Image parts	United States, Canada, Japan, Germany
PCB empty board	Taiwan
Electromechanical parts	Japan, Taiwan
Computer peripherals	Taiwan
XY TABLE	Japan, Taiwan
Relay	Germany, Taiwan

The above suppliers are mostly large factories at home and abroad, which have good quality, technology and reputation in the industry, and have cooperated with the company for many years with good and stable partnership. At present, the Company has adequate supply for main materials. For the procurement of raw materials, it generally maintains more than two suppliers, ensuring the stable supply. Thus, there is no shortage of supply for production materials.

5.2.4 Major Suppliers and Clients

1. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2018				2019			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
	Others	2,375,216	100	-	Others	1,718,746	100	-
	Net Total Supplies	2,375,216	100	-	Net Total Supplies	1,718,746	100	-

Explanation for the variation: No significant variation.

2. Major Clients in the Last Two Calendar Years who has accounted for more than 10% of the total sales of goods in any one of the latest two years

Unit: NT\$ thousands

Item	2018				2019			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
	Company G	547,099	11	Client	Company G	37,634	1	Client
	Others	4,372,327	89	-	Others	4,349,172	99	-
E	Net Sales	4,919,426	100	-	Net Sales	4,386,806	100	-

Explanation for the variation: G company's demand decreased.

5.2.5 Production in the Last Two Years

Unit: Set/NT\$ thousands

Output Year	2016			2015		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Automatic Inspection Devices	3,440	3,255	2,894,011	2,860	2,649	2,434,829

5.2.6 Shipments and Sales in the Last Two Years

Unit: Set/NT\$ thousands

Shipments & Sales Year	2018				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products (or by departments)								
Automatic Inspection Devices	220	527,380	2,586	4,392,046	381	990,568	1,898	3,396,238

5.3 Human Resources for the Past Two Years

Year		2018	2019
Number of Employees	Sales	339	326
	R & D	169	180
	Manufacturing	146	165
	Administration	114	116
	Total	768	787
Average Age		33.7	33.7
Average Years of Service		6.5	6.6
Education	Ph.D.	0.9%	1.0%
	Masters	23.4%	23.9%
	Bachelor's Degree	72.3%	71.5%
	Senior High School	3%	3.2%
	Below Senior High School	0.4%	0.4%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None.

5.4.2 Countermeasures

The amount of the loss and punishment caused by polluting the environment in the latest two years and as of the printing date of the annual report; also disclose the future preventive measures and possible expenditure: Not Applicable.

5.5 Labor Relations

5.5.1 The Company's HR strategy is to strive to create an "employer brand" that attracts excellent talents. The important human resources measures are listed as below:

1. Recruit excellent talents

To meet the needs of business growth and internationalization, the Company is actively recruiting various excellent talents. Through full empowerment, we provide a working environment that can realize the full potential and achieve the satisfaction and accomplishment of employees.

2. Performance Development Plan

The Company implements the Performance Development Plan(PDP) that combines the strategic planning with the personal performance management plans through the balanced scorecard. The PDP has effectively integrated resources and focused on the overall strategy and achievement of annual goals of the Company.

3. Compensation system

The Company implements the philosophy of performance-based incentives combines with the above-mentioned PDP, salary raise, bonuses and dividends that are based on the performance and ability evaluation.

4. Welfare measures

Travel allowance / cash gift for festivals/ diversified leisure activities / allowance for marriage, funeral and maternity / hospitalization relief money /allowance for medical examination free group insurance for employees and dependents / regular health check / gym exclusively for employee.

5. Further study, education and training

The Company's training system can enhance employees' competency and enable them to realize their full potential, as well as combine individual growth with organizational development. Every employee could take various training courses carefully arranged under this system, adding value to the colorful life!

(1) Leadership development course: Through a series of management leadership training in management, finance, law, human resources, and etc., it cultivates excellent leaders and establishes the management language with ethics and disciplines in common.

(2) Professional course: By enhancing the professional knowledge and skills of employees, it improves the work performance and increases the competitiveness of employees and the Company. The content of the course includes: a. Elementary professional training: FPGA, RF, MCU, TRIZ, FMEA, C ++, C #, etc. ; b. Advanced professional training: professional training for the specific department, special seminars and external training.

(3) Basic course: The new recruits are conducted with training related to philosophy, so they will be competent of the new position smoothly, which can

also strengthen the cohesion of the Company. The content of the course includes: a. introduction of corporate culture and business philosophy; b. description of company system, welfare, goals and future vision; c. product introduction and future development directions; d. legal concepts that technological employee should possess (for example: patent rights and intellectual property rights); e. utilization of internal management tools.

- (4) External course: Employees can attend seminars and professional training courses at home and abroad in a non-scheduled way, so as to strengthen professional competency and technology. The achievements of the Company's 2019 education and training are as follows:

Course type	Number of classes	Total trainees	Total training hours	Total expense(NT\$)
Leadership development course	2	75	740	3,805,023
Professional course:	38	410	2,009	
Basic course	7	195	838	
External course	118	581	10,850	
Total	165	1,261	14,436	

6. Retirement system and its implementation

The Company established the Labor Retirement Reserve Supervision Committee in 2000, and formulated the labor retirement regulations to handle employee retirement matters. Moreover, it allocated pensions on a monthly basis as required by laws and deposit them in Department of Trusts, the Bank of Taiwan (formerly the Central Trust of China) for management. In addition, a new labor pensions system has been implemented since July 1, 2005, and pensions are appropriated on a monthly basis and deposited into the special account of the Bureau of Labor Insurance for management.

7. Labor agreements

The Company deals with the labor issues based on the business philosophy of labor-management integration, co-existence and co-prosperity, and attaches great importance to the opinions of employees. Employees may always fully express the problems encountered at work and in life through the formal or informal communication channels of the Company, so as to seek mutual understanding, cohesion and consensus, and create outstanding performance together. In addition, since 2000, the labor representatives have been regularly elected, and labor meetings have been held regularly to coordinate the views of both parties and promote the harmony between labor and management. So far no labor disputes

have occurred.

8. Code of Conduct

To regulate the employees service, appointment, resignation, dismissal, suspension without pay, lay-off, compensation, working hours, overtime work, leave, retirement, pension, assessment, reward and punishment, welfare, safety and health, employee complaint management and various conducts, the Code of Conduct was established in 2000, and reported to the competent authority for regular review. After the amendment was approved by the labor-management conference, it will be also filed to the competent authority for review.

9. Code of Ethical Conduct

To guide the Company's directors, managers at all levels and all employees to act in conformation to the ethical standards, and to make the Company's stakeholders understand the ethical standards better, the Company has established the Code of Ethical Conduct, including the following eight items:

- (1) Prevent conflicts of interest
- (2) Avoid pursuit of personal benefits
- (3) Confidentiality
- (4) Fair trade
- (5) Protect and properly use company assets
- (6) Comply with laws and regulations
- (7) Encourage reporting any illegal or ethical misconduct against the Code of Ethical Conduct
- (8) Disciplinary measures.

10. Working environment and safety protection measures for employees

Working environment and safety protection are to protect employees from occupational injury. The Safety and Health Work Rules were established in 2000. The occupational safety and health team of the Company regularly checks the working environment and safety protection measures in accordance with safety and health management and automatic inspection regulations. It formulates the safety and health codes that stipulates the safety management matters, including the following seven items, which should be followed by employees:

- (1) Occupational safety and health management and rights and responsibilities at all levels: The occupational safety and health team is set up in accordance with the provisions of the Occupational Safety and Health Act, to manage all occupational safety and health related affairs of the Company.
- (2) Maintenance and inspection of equipment: The inspection is divided into regular inspection, key inspection, and operation checkpoint, etc. The using department should make the plan and send to the occupational safety and health team for review, which shall be then implemented in practice.

- (3) Work safety and health standards: It includes the general safety and health precautions, safety and health precautions in the workplace, hand tool operation precautions, precautions related to material storage and transportation operation safety, electrical, air compressor, mechanical processing, safety precautions got organic solvents operation, fire and explosion prevention precautions.
- (4) Education and training: All workers must undergo at least three hours of safety and health training every three years. Moreover, they should undergo at least three hours of on-the-job training annually based on the job transfer or the needs of each department.
- (5) First aid and rescue: In case of any accidental injury at work, it should notify the first-aid personnel immediately. The injured personnel should be sent to the doctor for emergency medical treatment depending on the actual condition. In case of injury caused by special job, in addition to medical treatment and reporting to the management for handling, a written report should be prepared and submitted to the occupational safety and health team. The current lines for emergency are 110 and 119.
- (6) Preparation, maintenance and use of protective equipment
- (7) Accident reporting: When any injury occurs to the employee in the department at work, it should report to the supervisor immediately. The supervisor must report to the occupational safety and health team within 24 hours. In case of major accident, the scene should be kept after the rescue, which should not be moved or destroyed without authorization. It facilitates the identification and inspection of the judicial authorities and labor inspection agencies. If a major disaster defined by laws occurs in the department, the occupational safety and health team should report to the local labor inspection agency within eight hours. In addition, the spokesperson of the Company is responsible for the press release. Occupational disasters in the department shall be investigated by the competent department. The occupational safety and health team shall collect the data and perform monthly analysis, as well as formulate preventive measures and report them to the General Manager for approval.

5.5.2 Explain if there is any loss caused by any labor disputes in the most recent year and as of the printing date of the annual report, and disclose the potential estimated amount and the measures taking at present and in the future. If reasonable estimation is not available, please state the fact of not being able to reasonably estimate:

1. Losses sustained due to labor disputes: Please refer to VII-7.6.1 -12-(2).
2. Labor inspection results found in violation of the Labor Standards Act: None.

5.6 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Technical authorization	Agilent Technologies Incorporated	2002.07 Permanent	Permanent authorization of IC empty solder inspection technology and electrolytic capacitor reverse inspection technology	The only company in Greater China that obtains permanent authorization
Patent Licensing	Industrial Technology Research Institute (ITRI)	2002.12 2021.12	Patent Licensing of direct feed all-digital device	TRI won't sublicense the right to a third party.
Technology authorization	Industrial Technology Research Institute (ITRI)	2012/12/01 2021/11/30	High-accuracy, high-speed current detection technology authorization	TRI is entitled to use and implement the R&D Achievements or manufacture the Product within the territory of Taiwan. However, if TRI intends to apply the R&D Achievements to manufacture the Product out of Taiwan, it shall obtain the approval from the Ministry of Economic Affairs, R.O.C. in advance. ITRI agrees to provide related assistance.

Agreement	Counterparty	Period	Major Contents	Restrictions
Entrusted research plan	National Pingtung University of Science and Technology	2019/08/01 2020/07/31	2019 automatic optical inspection technology development	Upon the written consent of TRI in advance, National Pingtung University of Science and Technology is entitled to authorize a third-party to use the intellectual property in the industry other than the SMT automatic optical inspection. The profits shall be divided equally by both parties.
Entrusted service and authorization	Industrial Technology Research Institute (ITRI)	2019/09/30 2020/09/29	Entrust service and authorization for multi-defect classification inference module and training system	TRI may use and implement the R&D Achievement or manufacture and assemble the Product within the territory of Taiwan. However, if TRI intends to apply the R&D Achievements to manufacture the Product out of Taiwan, it shall obtain the approval from the Ministry of Economic Affairs, R.O.C. in advance. ITRI agrees to provide related assistance.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Statements of Income

Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		4,361,441	3,520,403	3,826,399	4,210,266	4,264,041
Property, Plant and Equipment		2,214,672	2,183,004	2,166,358	2,159,648	2,135,082
Intangible assets		10,321	8,048	8,089	16,708	20,237
Other assets		62,786	62,078	61,054	81,674	149,675
Total assets		6,649,220	5,773,533	6,061,900	6,468,296	6,569,035
Current liabilities	Before distribution	825,294	534,034	938,166	953,649	946,814
	After distribution	1,770,158	1,242,682	1,646,814	1,827,648	(Note 2)
Non-current liabilities		138,680	110,240	114,780	166,178	239,789
Total liabilities	Before distribution	963,974	644,274	1,052,946	1,119,827	1,186,603
	After distribution	1,908,838	1,352,922	1,761,594	1,993,826	(Note 2)
Equity attributable to shareholders of the parent		5,685,246	5,129,259	5,008,954	5,348,469	5,382,432
Capital stock		2,362,160	2,362,160	2,362,160	2,362,160	2,362,160
Capital surplus		53,290	53,290	53,290	53,290	53,290
Retained earnings	Before distribution	3,257,114	2,739,612	2,623,627	2,974,814	3,034,252
	After distribution	2,312,250	2,030,964	1,914,979	2,100,815	(Note 2)
Other equity interest		12,682	(25,803)	(30,123)	(41,795)	(67,270)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	5,685,246	5,129,259	5,008,954	5,348,469	5,382,432
	After distribution	4,740,382	4,420,611	4,300,306	4,474,470	(Note 2)

Note 1: The above financial statements have been audited by an independent accountant.

Note 2: Pending for shareholders' approval.

Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	4,754,389	3,099,686	3,601,158	4,919,426	4,386,806
Gross profit	2,534,708	1,695,386	1,907,605	2,629,304	2,489,589
Income from operations	1,150,618	544,717	757,682	1,269,751	1,196,514
Non-operating income and expense	95,673	(13,375)	(41,489)	64,737	(35,555)
Income before tax	1,246,291	531,342	716,193	1,334,488	1,160,959
Profit for the year from continuing operation	998,903	429,218	594,865	1,064,399	938,698
Loss on discontinued operations	0	0	0	0	0
Net income (Loss)	998,903	429,218	594,865	1,064,399	938,698
Other comprehensive income (income after tax)	(16,397)	(40,341)	(6,522)	(16,236)	(30,736)
Total comprehensive income	982,506	388,877	588,343	1,048,163	907,962
Net income attributable to shareholders of the parent	998,903	429,218	594,865	1,064,399	938,698
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	982,506	388,877	588,343	1,048,163	907,962
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	4.23	1.82	2.52	4.51	3.97

Note 1: The above financial statements have been audited by an independent accountant.

Condensed Balance Sheet(Parent Company Only)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		3,728,971	3,056,284	3,343,363	3,554,959	3,543,082
Property, Plant and Equipment		701,237	567,806	587,854	757,520	815,753
Intangible assets		2,070,217	2,059,582	2,020,372	2,014,950	1,993,580
Other assets		10,120	7,928	8,036	16,162	19,834
Total assets		45,283	45,052	46,194	62,529	69,137
Current liabilities	Before distribution	732,015	490,285	882,194	874,082	873,451
	After distribution	1,676,879	1,198,933	1,590,842	1,748,081	(Note 2)
Non-current liabilities		138,567	117,108	114,671	183,569	185,503
Total liabilities	Before distribution	870,582	607,393	996,865	1,057,651	1,058,954
	After distribution	1,815,446	1,316,041	1,705,513	1,931,650	(Note 2)
Capital stock		2,362,160	2,362,160	2,362,160	2,362,160	2,362,160
Capital surplus		53,290	53,290	53,290	53,290	53,290
Retained earnings	Before distribution	3,257,114	2,739,612	2,623,627	2,974,814	3,034,252
	After distribution	2,312,250	2,030,964	1,914,979	2,100,815	(Note 2)
Other equity interest		12,682	(25,803)	(30,123)	(41,795)	(67,270)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	5,685,246	5,129,259	5,008,954	5,348,469	5,382,432
	After distribution	4,740,382	4,420,611	4,300,306	4,474,470	(Note 2)

Note 1: The above financial statements have been audited by an independent accountant.

Note 2: Pending for shareholders' approval.

Condensed Statement of Comprehensive Income(Parent Company Only)

Unit: NT\$ thousands (Except EPS: NT\$)

Item \ Year	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	4,255,449	2,818,100	3,298,989	4,408,491	4,007,099
Gross profit	2,134,130	1,418,887	1,570,409	2,134,719	2,145,174
Income from operations	1,198,640	640,306	707,365	1,112,129	1,090,185
Non-operating income and expense	24,188	(123,919)	(7,863)	186,726	56,216
Income before tax	1,222,828	516,387	699,502	1,298,855	1,146,401
Profit for the year from continuing operation	998,903	429,218	594,865	1,064,399	938,698
Loss on discontinued operations	0	0	0	0	0
Net income (Loss)	998,903	429,218	594,865	1,064,399	938,698
Other comprehensive income (income after tax)	(16,397)	(40,341)	(6,522)	(16,236)	(30,736)
Total comprehensive income	982,506	388,877	588,343	1,048,163	907,962
Earnings per share	4.23	1.82	2.52	4.51	3.97

Note 1: The above financial statements have been audited by independent auditors.

6.1.2 Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	CPA	Audit Opinion
2015	PricewaterhouseCoopers, Taiwan	Chi, Bin-Chun ; Pan, Hui-Lin	An unqualified-modified opinion
2016	PricewaterhouseCoopers, Taiwan	Pan, Hui-Lin; Liao, A-Shen	An Unqualified Opinion
2017	PricewaterhouseCoopers, Taiwan	Pan, Hui-Lin; Liao, A-Shen	An Unqualified Opinion (with Other matter paragraph) (Note2)
2018	PricewaterhouseCoopers, Taiwan	Pan, Hui-Lin; Liao, A-Shen	An Unqualified Opinion (with Other matter paragraph) (Note2)
2019	PricewaterhouseCoopers, Taiwan	Pan, Hui-Lin; Liao, A-Shen	An Unqualified Opinion

Note1: The CPAs didn't audit the financial statements of TEST RESEARCH USA, INC., TRI TEST RESEARCH EUROPE GMBH及 TRI MALAYSIA SDN BHD. Those financial statements were audited by other independent accountants. Therefore the CPAs issued an audit report with unqualified-modified opinion.

Note 2 : An Unqualified Opinion with other matter paragraph: The CPAs adopted financial statements of certain consolidated subsidiaries which were audited by other independent accountants and wanted to separate responsibilities.

6.2 Five-Year Financial Analysis

A. Consolidated Financial Analysis

Item		Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	14.50	11.16	17.37	17.31	18.06
	Ratio of long-term capital to property, plant and equipment	262.97	240.01	236.51	255.35	263.33
Solvency (%)	Current ratio	528.47	659.21	407.86	441.49	450.36
	Quick ratio	452.19	556.80	318.21	342.97	370.42
	Interest earned ratio (times)	(Note3)	(Note3)	(Note3)	28,394.36	825.54
Operating performance	Accounts receivable turnover (times)	3.51	2.24	2.43	2.53	2.13
	Average collection period	104	163	150	144	171
	Inventory turnover (times)	2.81	2.11	2.21	2.38	2.04
	Accounts payable turnover (times)	5.45	4.16	3.79	4.51	4.26
	Average days in sales	130	173	165	154	179
	Property, plant and equipment turnover (times)	2.13	1.41	1.66	2.27	2.04
	Total assets turnover (times)	0.71	0.50	0.61	0.79	0.67
Profitability	Return on total assets (%)	14.85	6.91	10.05	16.99	14.42
	Return on stockholders' equity (%)	17.52	7.94	11.74	20.55	17.50
	Pre-tax income to paid-in capital (%)	52.76	22.49	30.32	56.49	49.15
	Profit ratio (%)	21.01	13.85	16.52	21.64	21.40
	Earnings per share (NT\$) (Note2)	4.23	1.82	2.52	4.51	3.97
Cash flow	Cash flow ratio (%)	81.88	103.56	26.49	65.73	143.45
	Cash flow adequacy ratio (%)	131.68	108.39	75.77	65.39	70.58
	Cash reinvestment ratio (%)	-5.43	-6.86	-8.08	-1.34	7.84
Leverage	Operating leverage	2.15	3.04	2.50	2.05	2.10
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).

(1) Interest earned ratio decrease: It's due to decline of profit in recent year.

(2) Cash flow ratio and Cash reinvestment ratio increase: It is due to the higher cash flows from operating activities in recent year.

Note 1: The above financial statements have been audited by independent accountants.

Note 2: Based on weighted average shares outstanding in each year.

Note 3: There's no interest expense in each year.

B. Financial Analysis (Parent Company Only)

Item		Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	13.28	10.59	16.60	16.51	16.44
	Ratio of long-term capital to property, plant and equipment	281.31	254.73	253.60	274.55	279.29
Solvency (%)	Current ratio	509.41	623.37	378.98	406.71	405.64
	Quick ratio	428.69	513.06	289.01	305.78	323.56
	Interest earned ratio (times)	(Note3)	(Note3)	(Note3)	27,636.21	(Note3)
Operating performance	Accounts receivable turnover (times)	3.96	2.64	3.01	3.55	2.95
	Average collection period	92	138	121	103	124
	Inventory turnover (times)	2.90	2.20	2.36	2.49	2.11
	Accounts payable turnover (times)	5.57	4.32	3.78	4.48	4.28
	Average days in sales	126	166	154	147	173
	Property, plant and equipment turnover (times)	2.05	1.36	1.62	2.18	2.00
	Total assets turnover (times)	0.64	0.46	0.56	0.71	0.62
Profitability	Return on total assets (%)	15.02	6.98	10.13	17.15	14.61
	Return on stockholders' equity (%)	17.52	7.94	11.74	20.55	17.50
	Pre-tax income to paid-in capital (%)	51.77	21.86	29.61	54.99	48.53
	Profit ratio (%)	23.47	15.23	18.03	24.14	23.43
	Earnings per share (NT\$) (Note2)	4.23	1.82	2.52	4.51	3.97
Cash flow	Cash flow ratio (%)	110.04	74.57	43.59	53.94	147
	Cash flow adequacy ratio (%)	130.59	109.46	80.34	64.32	69.90
	Cash reinvestment ratio (%)	-3.45	-10.39	-5.89	-3.99	6.83
Leverage	Operating leverage	1.71	2.13	2.10	1.82	1.86
	Financial leverage	1.00	1.00	1.00	1.00	1.00
<p>Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).</p> <p>(1) Cash flow ratio and Cash reinvestment ratio increase: It is due to the higher cash flows from operating activities in recent year.</p>						

Note 1: The above financial statements have been audited by independent accountants.

Note 2: Based on weighted average shares outstanding in each year.

Note 3: There's no interest expense in each year.

Note 4: The formulas for financial analysis calculations are as follows:

(1) Financial structure:

- a. Debt to asset ratio = Total Liabilities / Total Assets
- b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

(2) Liquidity:

- a. Current Ratio = Current Assets / Current Liabilities
- b. Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- c. Time interest earned = net income before income tax and interest expense / current interest expense.

(3) Operating ability:

- a. Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
- b. Average Collection Days = 365 / Average Collection Turnover
- c. Inventory turnover ratio = cost of goods sold / average amount of inventory.
- d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
- e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
- f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.
- g. Fixed assets turnover ratio = net sales / total average fixed assets.

(4) Profitability:

- a. Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets
- b. Return on Equity = Net Income / Average Equity
- c. Net profit margin = after-tax profit / net operating income.
- d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

(5) Cash flows:

- a. Cash flow ratio = new cash flows from operating activities / current liabilities.
- b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
- c. Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital).

(6) Leverage:

a. Operating leverage = (net operating revenue — variable operating cost and expenses) / operating profit.

b. Financial leverage = operating profit / (operating profit — interest expense).

Note 5: It shall be noted when calculating the above earning per share:

- (1) It shall be based on the weighted average number of ordinary shares instead of the number of issued-and-outstanding stocks at the end of the year.
- (2) If there is Capital Increased by Cash or treasury stock trading, the calculation of the weighted average number of shares shall be considered during the outstanding period.
- (3) If there are retained earnings or capital surplus transferred to capital, when calculating the earnings per share of the previous years and the semiannual, the increased capital shall be retrospectively adjusted according to the proportion while it is not necessary to consider the issue period of the capital increase.
- (4) If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether or not it is distributed) shall be deducted from net income or add into net loss; if it is not cumulative and there is net income, dividend of the preferred stock shall be deducted from net income while it does not need to be adjusted if there is net loss.

Note 6: It shall be noted when analyze the cash flow:

- (1) Net Cash Provided by Operating Activities refers to the amount of net cash from operating activities in the Statements of Cash Flows.
- (2) Capital Expenditure refers to the cash amount of capital investment every year.
- (3) Inventory increase is only counted when the ending balance is greater than the opening balance. If the inventory is decreased at the end of the year, it is counted as zero.
- (4) Cash dividends include cash dividends for ordinary shares and preferred shares.
- (5) Gross Property, Plant and Equipment refers to the total amount of Property, Plant and Equipment before deducting the accumulated depreciation.

Note 7: The issuer should classify various operating costs and expenses into fixed and variable. If there is an estimation or subjective judgment involved, attention should be paid to its rationality and consistency.

Note 8: If the company's stock is not denominated or the denomination is not NT\$10, the calculation of Return on total stockholders' equity shall be changed to the calculation based on the equity attributable to shareholders of the parent on the balance sheets.

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors prepares the 2019 Business Report, Financial Statements (including consolidated financial statements) and Earning Distribution Plan. PwC Taiwan audits the Financial Statements and presents the report. The above Business Report, Financial Statements and Earning Distribution Plan are reviewed by the Audit Committee, and no incompliance is found. The above report is presented as required by Article 14-4 of Securities and Exchange Act, Article 219 of the Company Act, for further inspection.

Test Research, Inc.

Convener of TRI Audit Committee: Mei-Jing, Chen

Feb.27, 2020

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

- Please refer to page 57~92 of the Chinese annual report.
- Please visit the MOPS website for inquiry the English-version Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report.

Test Research, Inc. and Subsidiaries

Representation Letter

The entities that are required to be included in the combined financial statements of Test Research, Inc. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Test Research, Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Test Research, Inc.
Chairman: Chieh-Yuan, Chen
(Feb.27, 2020)

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

- Please refer to page 93~127 of the Chinese annual report.

6.6 The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Analytical basis: the change rate is more than 20%, and the change amount is more than NTD\$10 million.

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	4,264,041	4,210,266	53,775	1.28
Fixed Assets	2,135,082	2,159,648	(24,566)	(1.14)
Other Assets	169,912	98,382	71,530	72.71
Total Assets	6,569,035	6,468,296	100,739	1.56
Current Liabilities	946,814	953,649	(6,835)	(0.72)
Long-term Liabilities	239,789	166,178	73,611	44.30
Total Liabilities	1,186,603	1,119,827	66,776	5.96
Capital Stock	2,362,160	2,362,160	0	0
Capital Surplus	53,290	53,290	0	0
Retained Earnings	3,034,252	2,974,814	59,438	2.00
Other Equity Interest	(67,270)	(41,795)	(25,475)	60.95
Total Stockholders' Equity	5,382,432	5,348,469	33,963	0.64
<p>Analysis of changes in financial ratios:</p> <ol style="list-style-type: none"> 1. The increase in Other Assets was due to the increase in refundable deposits and right-of-use asset. 2. The increase in Long-term Liabilities was due to the increase in deferred income tax liabilities and non-current lease liabilities. 3. The decrease in Other Equity Interest was due to decrease in cumulative translation adjustments. <ul style="list-style-type: none"> • Effect of changes on the company's future business: The Company's business scope has not changed significantly. • Future response actions: Not applicable. 				

7.2 Analysis of Financial Performance

Analytical basis: the change rate is more than 20%, and the change amount is more than NTD\$10 million.

Unit: NT\$ thousands

Item	Year		Difference	
	2019	2018	Amount	%
Net Operating Revenue	4,386,806	4,919,426	(532,620)	(10.83)
Operating Cost	(1,897,217)	(2,290,122)	392,905	(17.16)
Operating Margin	2,489,589	2,629,304	(139,715)	(5.31)
Operating Expenses	(1,293,075)	(1,359,553)	66,478	(4.89)
Operating Profit	1,196,514	1,269,751	(73,237)	(5.77)
Non-operating Income and Expense	(35,555)	64,737	(100,292)	(154.92)
Income Before Tax	1,160,959	1,334,488	(173,529)	(13.00)
Income Tax Expense	(222,261)	(270,089)	47,828	(17.71)
Current Period Net Profit	938,698	1,064,399	(125,701)	(11.81)
<p>1. Analysis of changes in financial ratios: The decrease in Non-operating Income and Expense was due to the decrease in gain on foreign currency exchange.</p> <p>2. The expected sales volume and its basis in next year, the possible impact on the company's future financial business and corresponding plan: please refer to the description of "to shareholder's letter"</p>				

7.3 Analysis of Cash Flow

Cash Flow Analysis for the Current Year and the Coming Year:

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,097,433	1,358,206	1,155,109	1,300,530	-	-
<p>1. Analysis of change in cash flow in the current year:</p> <p>(1) Operating Activities : Mainly due to the company's operations.</p> <p>(2) Investing Activities : Mainly due to acquisition of fixed and intangible assets.</p> <p>(3) Financing Activities : Mainly due to distribution of cash dividends.</p> <p>2. Improvement plan for insufficient liquidity: There is no liquidity insufficiency.</p> <p>3. Cash liquidity analysis for the coming year:</p>					
Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,300,530	939,365	835,057	1,404,838	-	-

7.4 Major Capital Expenditure Items:

7.4.1 Major Capital Expenditure Items and Source of Capital: None.

7.4.2 Expected Benefits: None.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses,

Improvement Plans and Investment Plans for the Coming Year

1. Investment Policy in the Last Year:

The Company's reinvestment policies in last year are to mainly expand the sales and service sites in Mainland China which are all 100% shareholding reinvestment companies. With the goal of getting close to customers for fast service, it can always grasp the customer needs and improve the competitiveness of the Company.

2. Main Causes for Profits or Losses:

The investment income recognized based on the equity method in 2019 was NT\$104,500 thousands. Due to the recovery of the global economy and the commercialization of multiple new products with global competitiveness, it has resulted in the Company's sales growth, and further increased the profits of the reinvestment companies.

3. Improvement Plans :

The Company has been committed to improvements in product specifications, accuracy and quality and technological innovation of automation so as to keep in line with the inspection field with higher requirements and automation, and to ensure the driving force of the revenue growth in the future.

4. Investment Plans for the Coming Year: None.

7.6 Analysis of Risk Management in the Most Recent Year and as of the Date of Publication of the Annual Report:

7.6 .1 Analysis of Risk Management

1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

The Company's annual interest gains and expenses of 2019 were NT\$ 7,803 thousands and NT\$ 1,408 thousands, accounting for 0.18% and 0.12% of the annual operating income and net profit before tax, respectively. The ratios were quite low. It is estimated that the changes in interest rate in the future won't show significant influence on the overall operations and profit/ loss of the Company.

(2) Foreign exchange rates

The Company's annual exchange loss in 2019 was NT\$ 51,869 thousands, which accounted for 1.1% and 5.53% of annual operating income and net profit before tax, respectively. The ratios were quite low. However, since the export accounted for a considerable proportion of the Company's revenue, changes in the exchange rate of the NT\$ to the US\$ may have an impact on the Company's profit and loss. Thus, the following response measures will be continuously implemented:

The Finance Division regularly evaluates and analyzes the Company's overall risk positions and existing transactions undertaken in accordance with the international political and the existing transactions based on the international economic situation, including risk positions such as interest rate and exchange rate. The risk positions are avoided based on the conservative and stable principles, and the net position of natural hedging is taken as the hedging criteria.

(3) Inflation

The price of raw materials required by the company is stable, so the impact of short-term inflation situation does not currently have a significant impact on the Company's profits and business operations.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company insists on the conservative and stable principles and is not engaged in any high-risk investments, highly leveraged investments, lending funds to other parties, endorsements, guarantees, or derivatives transactions. Moreover, according to the "Procedures for Lending Funds to Others", "Procedures for Endorsement & Guarantee", "Procedures for Conducting Derivative Transactions", and "Procedures

for the Acquisition or Disposal of Assets”, the above-mentioned items shall be subject to the related regulations and responsive measures, which shall be also regularly audited by the dedicated audit office. In the future, it will still strictly follow the related regulations, so as to guarantee the maximum benefits of the Company.

3. Future Research & Development Projects and Corresponding Budget

As for the research and development plan in the future, please refer to “V. Operational highlights” in this annual report. It is estimated that it will invest a total of NT\$401,000 thousands as R&D expense in 2020.

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

In response to the amendments made by the competent authorities on corporate governance, Company Act and securities-related laws and regulations, the Company has cooperated with it, and it doesn't show significant impact on the Company's financial operations currently.

5. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales: None.

6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has always adhered to the professional and ethical operating principles, and attached great importance to corporate image and risk control. At present, there is no foreseeable crisis.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: Not Applicable.

8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: Not Applicable.

9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

There is no risk associated with any consolidation of sales or purchasing operations. Please refer to “the List of customer accounting for more than 10% of the total sales in the most recent two years”.

10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The directors of the Company or the majority shareholders who hold more than 10% of the Company had made no significant transfer or replacement of shares in 2019 and as of the annual report publication date.

11. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

12. Litigation or Non-litigation Matters

Litigious and non-litigious matters, the directors, supervisors, general managers and substantial principals of the Company, the shareholders with over 10% shareholdings and affiliated companies have been determined or are included in the lawsuit; non-litigation or administrative litigation results may have a significant effect on the Company's shareholders' equity or securities prices must be fully disclosed in detail and include the cost of litigation, date of commencement of proceedings, main litigants and the current situation as of the Annual Report publication date:

- (1) The former manager of the Company, Jin-Yuan Lin and other former managers or employees, were suspected of breach of trust, securities trading law, business secrets law, and copyright law. The Shih-Lin Prosecutors' Office has filed a criminal prosecution against them; for the civil liability of these personnel, the Company has filed a civil suit to the Intellectual Property Court in 2018 for torts compensation in the total amount of NT \$ 200 million. These two cases have no material adverse impact on the Company's financial position.
- (2) The former manager of the Company, Jin-Yuan Lin was dismissed by the Company because of the criminal offenses mentioned above. He filed a claim for confirming the employment relationship between Lin and the Company and for compensation payment in the amount of NT\$27,235,686 and a severance pay of NT\$7,969,730 against the Company in the Shih-Lin District Court. The case has no significant adverse impact on the Company's financial position.

13. Other Major Risks: None.

14. The financial commodities (including the financial derivatives) that adopt hedging accounting, its hedging transaction category, goal, method, effectiveness and accounting handling: None.

7.6.2 Organizational architecture of risk management:

Each operation risk of the Company is managed by the relevant department based on the nature of its business. The Audit Office will review the existing or potential risks of each operation, and then formulate and implement a risk-oriented annual audit plan. The management units for each risk are listed as below:

Sales Division: Responsible for business decision planning to reduce strategic risks.

Marketing Department: Responsible for marketing strategies and product promotion, learning market trends to reduce business operational risks.

Logistics Division: Responsible for the procurement operations at home and abroad. It is also responsible for production scheduling, legal affairs, establishment and implementation of relevant management systems, as well as analysis and procedure design of application systems such as enterprise resource planning (ERP) to reduce risks for general operations, legal affairs and information security.

Finance Department: Responsible for finance, accounting operations, capital planning, financial scheduling and utilization. It is also responsible for providing financial analysis and management reports to reduce financial risks.

7.7 Other Important Matters: None.

VIII. Special Disclosure

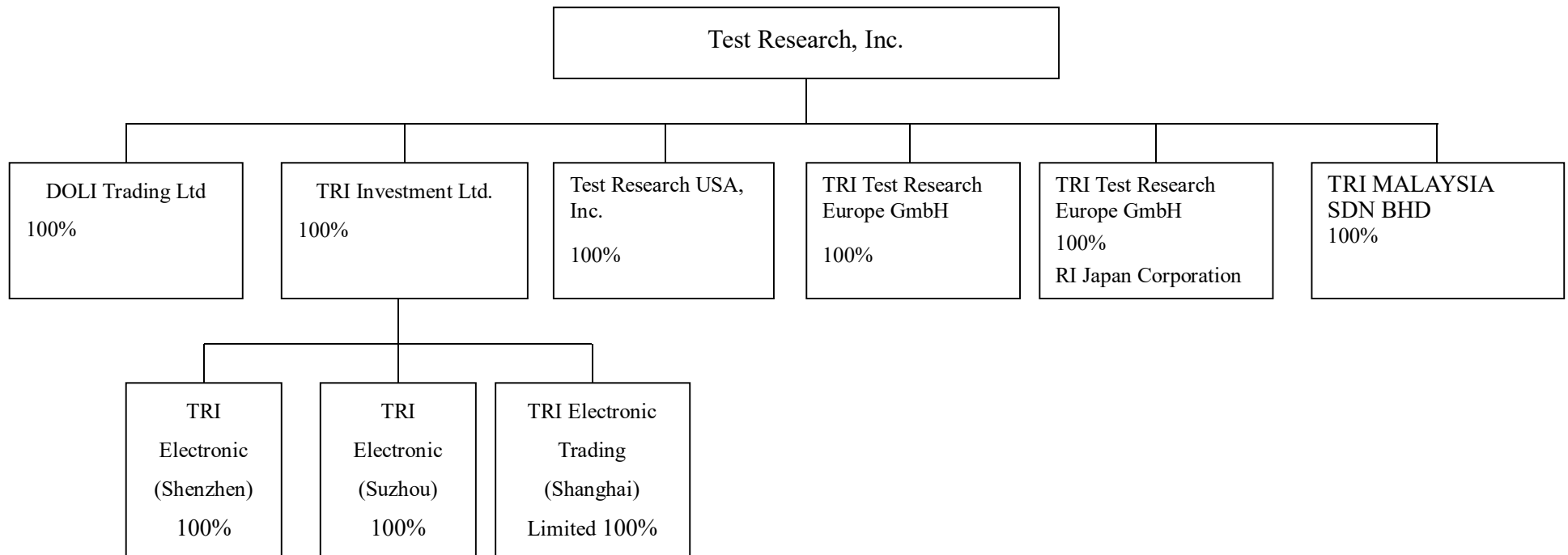
8.1 Summary of Affiliated Companies

8.1.1 Subsidiary Companies Consolidated Business Report

1. Overview of Affiliated Companies

(1) Organization chart of affiliated enterprises

As of December 31, 2019



(2) Information on affiliated enterprises

December 31, 2019; Unit: NT\$ Thousands

Name of Enterprise	Date of Establishment	Address	Paid-in capital	Main Business and Products
TRI INVESTMENTS LIMITED	1998.10.30	Offshore Chambers, PO BOX 217, Apia Samoa	USD 6,724	Investment holdings
DOLI TRADING LIMITED	1998.10.30	The Lake Building, 1st Floor Wickhams Cay 1 PO BOX 3152 Road Town, Tortola B.V.I.	USD 4,005	Trading of test equipment
TEST RESEARCH USA, INC.	2002.12.10	832 Jury Court, Suite 4, San Jose, CA 95112, U.S.A.	USD 2,019	Trading of test equipment
TRI TEST RESEARCH EUROPE GMBH	2007.05.02	Gugelstr. 32 90443 Nuremberg , Germany	EUR 200	Trading of test equipment
TRI JAPAN CORPORATION	2008.01.07	2 - 9 - 9 Midori, Sumida-ku, Tokyo ,130-0021 Japan	JPY 36,000	Trading of test equipment
TRI MALAYSIA SDN BHD	2000.09.30	C-11-1, Ground Floor, Lorong Bayan Indah 3 Bay Avenue, 11900 Bayan Lepas Penang, Malaysia	MYR 1,000	Trading of test equipment
TRI Electronic (Shenzhen) Limited	1999.04.13	5F.3, Guangxia Rd., Shang-mei-lin Area, Fu-Tian Dist., Shenzhen, Guangdong, 518049, China	USD 3,050	Manufacture and sales of test equipment
TRI Electronic (Suzhou) Limited	2001.04.12	B Unit, Building 4, 78 Xinglin St., Suzhou Industrial Park, 215123, China	USD 2,589	Manufacture and sales of test equipment
TRI Electronic Trading (Shanghai) Limited	2001.07.05	Room 6C, Building 14, No. 470, Guiping Rd., Xuhui Dist., Shanghai, 200233, China	USD 3,900	Import and export of equipment, consulting and after-sale maintenance service of equipment

(3) Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.

(4) Industries covered by the operations of all affiliates:

- A. TRI INVESTMENTS LIMITED is only the holding company established by the company in a third place for investment in Mainland China, which is not engaged in other business rather than investment.
- B. The Company sells finished products to enterprises in the China through DOLI TRADING LIMITED.
- C. The Company also sells semi-finished products to TRI Electronic (Shenzhen) Limited and TRI Electronic (Suzhou) Limited through DOLI TRADING LIMITED. These semi-finished products integrated with the parts and components purchased by DOLI in China will be sold to the enterprise in China after assembly.
- D. Through TEST RESEARCH USA, INC., TRI Japan Corporation, TRI TEST RESEARCH EUROPE GMBH, TRI MALAYSIA SDN BHD, TRI Electronic (Shenzhen) Limited, TRI Electronic (Suzhou) Limited and TRI Electronic Trading (Shanghai) Limited. the Company promotes the export business and market development.

(5) Information on Directors, Supervisors, and Presidents of affiliates:

Unit: Shares; %

Name of Enterprise	Title	Name or Representative	Share Held	
			Number of Shares	Shareholding Percentage
TRI INVESTMENTS LIMITED	Director	Mei-Hsing, Yeh	6,724,109	100%
DOLI TRADING LIMITED	Director	Mei-Hsing, Yeh	801	100%
TEST RESEARCH USA, INC.	Director	Chiang-Huai, Lin	1,518,935	100%
TRI TEST RESEARCH EUROPE GMBH	Director	Chiang-Huai, Lin	(Note 1)	-
TRI Japan Corporation	Director	Chiang-Huai, Lin	720	100%
	Director	Mao-Ching, Wang		
TRI MALAYSIA SDN BHD	Director	Chiang-Huai, Lin	1,000,000	100%
	Director	Sik-Wah, Then		
TRI Electronic (Shenzhen) Limited	Chairman and Concurrent as the President	Chiang-Huai, Lin	(Note 1)	-
	Director	Mei-Hsing, Yeh		
	Director	Chieh-Yuan, Chen		
TRI Electronic (Suzhou) Limited	Chairman and Concurrent as the President	Chiang-Huai, Lin	(Note 1)	-
	Director	Mei-Hsing, Yeh		
	Director	Chieh-Yuan, Chen		
TRI Electronic (Shanghai) Limited	Chairman and Concurrent as the President	Chiang-Huai, Lin	(Note 1)	-
	Director	Mei-Hsing, Yeh		
	Director	Chieh-Yuan, Chen		

Note 1 : It is a limited company without shares.

2. Affiliated enterprises' operational review:

December 31, 2019; Unit: NT\$ Thousands

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Current profit and loss (After tax)	Earnings Per Share (NT\$) (After tax)
TRI INVESTMENTS LIMITED	219,811	745,942	0	745,942	0	-36	23,730	3.53
DOLI TRADING LIMITED	131,973	437,598	389,677	47,921	1,091,853	50,617	52,915	66,061
TEST RESEARCH USA, INC.	60,528	47,686	1092	46,594	53,351	10,851	10,920	7.19
TRI TEST RESEARCH EUROPE GMBH	6,718	34,836	4,102	30,734	48,405	9,631	6,812	(Note 2)
TRI Japan Corporation	9,936	30,592	15,598	14,994	43,294	-545	-562	-781
TRI MALAYSIA SDN BHD	7,033	16,712	877	15,835	13,839	5908	5,656	5.66
TRI Electronic (Shenzhen) Limited	91,439	690,494	126,753	563,741	561,754	8,929	11,929	(Note 2)
TRI Electronic (Suzhou) Limited	77,616	496,544	386,911	109,633	618,493	15,159	11,682	(Note 2)
TRI Electronic Trading (Shanghai) Limited	116,922	74,925	2,373	72,552	14,548	-1,026	154	(Note 2)

Note 1: The balance sheet is translated using the spot exchange rate at year-end, while P&L is translated using the YTD average spot exchange rate.

Note 2 : It is a limited company without shares.

8.1.2 Consolidated financial declaration statement of affiliated enterprises and consolidated financial statement: Please refer to page 114.

8.1.3 Affiliation report: None.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

8.4 Other Supplemental Information: None.

8.5 Supplementary Information Disclosure:

The Company sets up a spokesperson, a deputy spokesperson and a shareholding affairs unit that can be taken as the Company's external contact and communication window. In response to the Company's major decisions, all announcements have been implemented through the exchange website, so that the investors can obtain the Company's information quickly and in details. The Company also releases public press releases randomly to explain the Company's operating conditions. Investors can get the latest information of the Company from the press release or some zones on the website (www.tri.com.tw) such as "About Us", "Product Introduction", "News Center" , "Customer Service", and "Investor Relations". In addition, the "Contact Us" zone of the website has added channels for external communication. Through the convenient Internet services, it is expected to serve all shareholders and allow the investors to have a better understand on the Company's operations.

8.6 Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None

Test Research, Inc.

Chairman: Chieh-Yaun, Chen