

Stock code: 3030



**Handbook for
2021 Shareholders Meeting of
Test Research, Inc.
(Translation)**

May 26th, 2021

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2021 Shareholders Meeting Agenda of Test Research, Inc.

I. Time: 9:00 a.m. on May 26 (Wednesday), 2021

II. Venue: 3F(Training Room of the Company), No. 36-1,Huangxi Street, Shilin District, Taipei
City

III. Meeting Agenda

1. Call meeting to order
2. Chairman gives the opening address
3. Reporting items:
 - (1) 2020 Annual Business Report.
 - (2) Audit Committee's Review Report on 2020 Financial Statements.
 - (3) 2020Employees' and Directors' Remuneration Proposal.
4. Approval items:
 - (1) Adoption of 2020Financial Statements.
 - (2) Adoption of 2020 Earning Distribution Plan.
5. Incidental motions
6. Adjournment

Reporting Items

Proposal 1: 2020 Annual Business Report.

Explanatory Notes: Please refer to Appendix 1 of this Handbook.

Proposal 2: Audit Committee's Review Report on 2020 Financial Statements.

Explanatory Notes: Please refer to Appendix 2 of this Handbook.

Proposal 3: 2020 Employees' and Directors' Remuneration Proposal.

Explanatory Notes:

- (1) 2020 employees' remuneration and directors' remuneration resolved is NT\$ 21,602,182 and NT\$11,128,394 respectively, and the above amount will be paid in cash.
- (2) The resolution amount doesn't have any difference from the amount of expense recognized for 2020.

Approval Items

Proposal 1: Adoption of 2020 Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

- (1) 2020 Business Report and Financial Statements (including the consolidated financial statements) are passed upon the resolution of the Board. The Financial Statements (including the consolidated financial statements) are audited by the CPA. The above reports are reviewed by the Audit Committee.
- (2) Please refer to the Appendix 1 and Appendix 3 of the Handbook.

Resolution:

Proposal 2: Adoption of 2020 Earning Distribution Plan (Proposed by the Board of Directors)

Explanatory Notes:

- (1) This earning distribution plan firstly considers the earning of 2020, and then distributes the undistributed profits after 1998. The common shares are distributed with cash dividend of NT\$3.3 per share.
- (2) For 2020 Earning Distribution Table, please refer to Appendix 4 of the Handbook.
- (3) As for the cash dividend distribution, the Board is authorized to settle the related affairs after it is passed in the Shareholders Meeting.
- (4) The Chairman is authorized to contact specific person to adjust the sum of fractional amount of the cash dividend less than NT\$1.
- (5) In the event that, the transfer, exchange and cancellation of shares or buyback of shares of the Company affects the amount of outstanding shares and the payout ratio for shareholders, it is proposed that the Board of Directors be authorized to change the related affairs.

Resolution:

Incidental Motions

Adjournment

Appendix 1

Business Report to Shareholders

Dear Shareholders:

The consolidated revenue of the Company in 2020 was NT\$4.951 billion with after-tax profits totaled NT\$1.093 billion. The revenue was increased by 13% compared with NT\$4.387 billion in 2019, and the after-tax net profit was increased by 16% compared with NT\$939 million in 2019.

As shown in the consolidated financial statements, the net operating profit margin of the Company last year was 29%, the after-tax profit margin was 22%, the return on equity was 20%, return on assets was 16%, and debt ratio was 19%. The overall financial condition of the Company was robust and good.

Main reasons for the Company's revenue and profit growth in 2020 were: (1) demand for automatic inspection equipment from customers in Taiwan and mainland China increased (2) competitiveness of products raised (3) new products commercialized (4) demands on automatic X-ray inspection equipment increased (5) Being close to customers and working closely with major international manufacturers. All the above factors resulted in the increasing revenue and profits for the Company throughout the year.

- The business policy, production and sales policy, development strategy and expected sales volume in the future:

The Company's already build up the competitiveness and a solid foundation of three technologies of automatic inspection equipment: image optics (AOI, SPI), X-RAY, and board tester (ICT, FCT). To cope with the continuous increased demand for automatic inspection equipment, the Company will: (1) Continuously improve and enhance the product functions to achieve the leading market position on technology (2) Continuously improve the product quality, enhance the stability and reliability of the machinery. (3) Develop new demands for automatic inspection equipment in the automotive electronics, semiconductors, telecommunications, and server industries. (4) Close to customers. Work closely with major international manufacturers to provide customers with a total solution for automatic inspection. (5) Exploit the global market. Increase the market share of the Company's products globally to achieve the Company's objective to be a leading brand in the industry. Due to the recovery of the global economy and the improvement of the Company's product competitiveness, it is expected that the sales volume will grow continuously this year.

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

During the COVID-19 pandemic, the Company has been endeavored to increase the overall competitiveness through active product development, quality improvement, market development, and production of customer-ordered machines continuously. As facing the global competition, the Company will continue to improve in "leading technology", "quality reliability and stability", and "global market expansion", and will adjust the company's essence continuously. I believe that the company will continue to grow in the future.

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

Sincerely

Appendix 2

Audit Committee's Review Report

The Board of Directors prepares the 2020 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.

Convener of TRI Audit Committee: Mei-Jing, Chen

Feb. 25, 2021

Appendix 3

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20003750

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

Opinion

We have audited the accompanying parent company only balance sheets of Test Research, Inc. (the “Company”) as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the ‘*Auditors’ responsibilities for the audit of the parent company only financial statements*’ section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(9) for accounting policies adopted for the valuation of inventories, Note 5 for critical accounting estimates and assumptions related to the valuation of inventories, and Note 6(3) for details of inventories. As of December 31, 2020, inventory and allowance for valuation losses are NT\$884,280 thousand and NT\$112,350 thousand, respectively.

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

How our audit addressed the matter

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

1. Understanding the industry and operations of the Company, and assessing the reasonableness of accounting policies applied in determining the adequacy of inventory provision.
2. Understanding the inventory management processes, examining the annual physical count plan, and performing physical inventory observation to assess the effectiveness of judgement and control over obsolete or slow-moving inventory.
3. Obtaining inventory aging report and testing movements to confirm whether they are assigned to the correct aging category and are in accordance with the Company's accounting policy. We also recalculated to check the adequacy of the allowance for valuation losses.
4. Analysing and comparing the difference of inventory valuation losses between the latest two years and examining supporting evidences in relation to allowance for slow-moving inventory valuation losses, which were individually identified by the management based on the inventory clearance condition, to assess the propriety of inventory valuation losses.

Cutoff of export revenue recognition

Description

For accounting policies adopted for revenue recognition, refer to Note 4(22).

The Company recognises export revenue in accordance with the terms of the transaction with the customer. Export revenue constitutes more than 70% of parent company only operating revenue and the period of revenue recognition is based on transaction terms of different customers. As the timing of revenue recognition might be based on management judgement depending on past experience, revenue may not be recorded in the proper period. Thus, we consider the cutoff of export revenue recognition a key audit matter.

How our audit addressed the matter

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

1. Understanding and assessing the effectiveness of export revenue recognition control processes.
2. Obtaining detailed listing of export sales within a certain period before and after period end, selecting samples and assessing the completeness by agreeing the sale to supporting documentation (such as export bill of lading and proof of delivery) to ascertain whether the sale was recorded in the proper period.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

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

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

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

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

Pan, Hui-Lin

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan
February 24, 2021

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

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

TEST RESEARCH, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,330,637	19	\$ 1,077,000	17
1150	Notes receivable, net	6(2)	3,932	-	8,827	-
1170	Accounts receivable, net	6(2)	1,336,094	20	1,222,037	19
1180	Accounts receivable due from related parties, net	7	207,170	3	223,932	4
1200	Other receivables		6,436	-	17,029	-
1210	Other receivables due from related parties	7	111,533	2	274,320	4
130X	Inventories	6(3)	884,280	13	708,685	11
1470	Other current assets		20,698	-	11,252	-
11XX	Total current assets		<u>3,900,780</u>	<u>57</u>	<u>3,543,082</u>	<u>55</u>
Non-current assets						
1550	Investments accounted for using equity method	6(4)	888,325	13	815,753	13
1600	Property, plant and equipment	6(5) and 8	1,957,334	29	1,993,580	31
1780	Intangible assets		24,331	-	19,834	-
1840	Deferred income tax assets	6(16)	78,125	1	66,195	1
1920	Guarantee deposits paid		542	-	2,942	-
15XX	Total non-current assets		<u>2,948,657</u>	<u>43</u>	<u>2,898,304</u>	<u>45</u>
1XXX	Total assets		<u>\$ 6,849,437</u>	<u>100</u>	<u>\$ 6,441,386</u>	<u>100</u>

(Continued)

TEST RESEARCH, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current liabilities - current	6(11)	\$ 7,962	-	\$ 38,296	1
2150	Notes payable		16,782	-	26,398	-
2170	Accounts payable		463,946	7	448,115	7
2200	Other payables	6(6)	248,565	4	225,081	3
2220	Other payables to related parties	7	27,596	-	20,244	-
2230	Current income tax liabilities		135,488	2	107,961	2
2300	Other current liabilities		5,730	-	7,356	-
21XX	Total current liabilities		<u>906,069</u>	<u>13</u>	<u>873,451</u>	<u>13</u>
Non-current liabilities						
2550	Provisions for liabilities - non-current		41,343	1	35,299	1
2570	Deferred income tax liabilities	6(16)	136,920	2	88,846	1
2600	Other non-current liabilities	6(7)	62,911	1	61,358	1
25XX	Total non-current liabilities		<u>241,174</u>	<u>4</u>	<u>185,503</u>	<u>3</u>
2XXX	Total liabilities		<u>1,147,243</u>	<u>17</u>	<u>1,058,954</u>	<u>16</u>
Equity						
Share capital		6(8)				
3110	Common stock		2,362,160	34	2,362,160	37
Capital surplus		6(9)				
3200	Capital surplus		53,290	1	53,290	1
Retained earnings		6(10)				
3310	Legal reserve		1,306,390	19	1,213,046	19
3320	Special reserve		67,270	1	41,795	1
3350	Unappropriated retained earnings		1,970,293	29	1,779,411	27
Other equity interest						
3400	Other equity interest		(57,209)	(1)	(67,270)	(1)
3XXX	Total equity		<u>5,702,194</u>	<u>83</u>	<u>5,382,432</u>	<u>84</u>
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		<u>\$ 6,849,437</u>	<u>100</u>	<u>\$ 6,441,386</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

TEST RESEARCH, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(11) and 7	\$ 4,728,188	100	\$ 4,007,099	100
5000	Operating costs	6(14)(15)	(2,259,678)	(48)	(1,861,925)	(46)
5900	Gross profit from operations		2,468,510	52	2,145,174	54
5910	Unrealised loss from sales	6(4)	(99,181)	(2)	(78,642)	(2)
5920	Realised profit from sales	6(4)	78,642	1	88,752	2
5950	Gross margin		2,447,971	51	2,155,284	54
	Operating expenses	6(14)(15) and 7				
6100	Selling expenses		(630,730)	(13)	(530,541)	(13)
6200	General and administrative expenses		(121,696)	(3)	(111,826)	(3)
6300	Research and development expenses		(390,750)	(8)	(422,541)	(11)
6450	Expected credit impairment loss	12(2)	(1,529)	-	(191)	-
6000	Total operating expenses		(1,144,705)	(24)	(1,065,099)	(27)
6900	Operating profit		1,303,266	27	1,090,185	27
	Non-operating income and expenses					
7100	Interest income		3,241	-	3,697	-
7010	Other income	6(12)	4,852	-	4,682	-
7020	Other gains and losses	6(13)	(96,859)	(2)	(56,663)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method	6(4)	124,674	3	104,500	3
7000	Total non-operating income and expenses		35,908	1	56,216	2
7900	Profit before income tax		1,339,174	28	1,146,401	29
7950	Income tax expense	6(16)	(246,518)	(5)	(207,703)	(5)
8200	Profit for the year		\$ 1,092,656	23	\$ 938,698	24
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial losses on defined benefit plan	6(7)	(\$ 3,442)	-	(\$ 5,261)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		12,576	-	(31,844)	(1)
8399	Income tax relating to the components of other comprehensive (loss) income that will be reclassified to profit or loss	6(16)	(2,515)	-	6,369	-
8360	Other comprehensive income that will be reclassified to profit or loss		10,061	-	(25,475)	(1)
8500	Total comprehensive income for the year		\$ 1,099,275	23	\$ 907,962	23
	Earnings per share (in dollars)	6(17)				
9750	Basic earnings per share		\$ 4.63		\$ 3.97	
9850	Diluted earnings per share		\$ 4.62		\$ 3.96	

The accompanying notes are an integral part of these parent company only financial statements.

TEST RESEARCH, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
		Share capital – common stock	Capital surplus, additional paid-in capital	Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>2019</u>									
Balance at January 1, 2019		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,106,607	\$ 30,123	\$ 1,838,084	(\$ 41,795)	\$ 5,348,469
Profit for the year		-	-	-	-	-	938,698	-	938,698
Other comprehensive loss for the year		-	-	-	-	-	(5,261)	(25,475)	(30,736)
Total comprehensive income		-	-	-	-	-	933,437	(25,475)	907,962
Appropriations of 2018 earnings	6(10)								
Legal reserve		-	-	-	106,439	-	(106,439)	-	-
Special reserve		-	-	-	-	11,672	(11,672)	-	-
Cash dividends		-	-	-	-	-	(873,999)	-	(873,999)
Balance at December 31, 2019		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,213,046	\$ 41,795	\$ 1,779,411	(\$ 67,270)	\$ 5,382,432
<u>2020</u>									
Balance at January 1, 2020		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,213,046	\$ 41,795	\$ 1,779,411	(\$ 67,270)	\$ 5,382,432
Profit (loss) for the year		-	-	-	-	-	1,092,656	-	1,092,656
Other comprehensive income (loss) for the year		-	-	-	-	-	(3,442)	10,061	6,619
Total comprehensive income		-	-	-	-	-	1,089,214	10,061	1,099,275
Appropriations of 2019 earnings	6(10)								
Legal reserve		-	-	-	93,344	-	(93,344)	-	-
Special reserve		-	-	-	-	25,475	(25,475)	-	-
Cash dividends		-	-	-	-	-	(779,513)	-	(779,513)
Balance at December 31, 2020		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,306,390	\$ 67,270	\$ 1,970,293	(\$ 57,209)	\$ 5,702,194

The accompanying notes are an integral part of these parent company only financial statements.

TEST RESEARCH, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,339,174	\$ 1,146,401
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(14)	67,626	65,828
Amortisation	6(14)	12,042	10,143
Expected credit impairment loss	12(2)	1,529	191
Interest income		(3,241)	(3,697)
Share of profit or loss of subsidiaries accounted for using the equity method	6(4)	(124,674)	(104,500)
Unrealised loss (profit) from sales, net	6(4)	20,539	(10,110)
Loss on disposal of property, plant and equipment	6(13)	139	1,009
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		4,895	(5,165)
Accounts receivable		(115,586)	(625,084)
Accounts receivable due from related parties		16,762	434,037
Other receivables		10,593	7,454
Other receivables due from related parties		162,787	409,873
Inventory		(201,308)	132,307
Other current assets		(9,446)	7,033
Changes in operating liabilities			
Current liabilities - current		(30,334)	21,032
Notes payable		(9,616)	(500)
Accounts payable		15,831	79,447
Other payables		23,484	(21,533)
Other payables to related parties		7,352	(14,969)
Other current liabilities		(1,626)	452
Provisions for liabilities - non-current		6,044	8,327
Other non-current liabilities		(1,889)	(1,755)
Cash inflow generated from operations		1,191,077	1,536,221
Interest received		3,241	3,697
Income taxes paid		(185,362)	(255,960)
Net cash flows from operating activities		<u>1,008,956</u>	<u>1,283,958</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using the equity method	6(4)	(10,591)	-
Disposal of investments accounted for using the equity method	6(4)	54,730	-
Proceeds from disposal of property, plant and equipment	6(5)	(11,682)	(19,363)
Acquisition of intangible assets		5,876	-
Increase in refundable deposits		(16,539)	(13,815)
Decrease (increase) in other non-current assets		2,400	(1,908)
Net cash flows from (used in) investing activities		<u>24,194</u>	<u>(35,086)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of cash dividends	6(10)	(779,513)	(873,999)
Net cash flows used in financing activities		<u>(779,513)</u>	<u>(873,999)</u>
Net increase in cash and cash equivalents		253,637	374,873
Cash and cash equivalents at beginning of year		1,077,000	702,127
Cash and cash equivalents at end of year		<u>\$ 1,330,637</u>	<u>\$ 1,077,000</u>

The accompanying notes are an integral part of these parent company only financial statements.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20003621

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

Opinion

We have audited the accompanying consolidated balance sheets of Test Research, Inc. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the consolidated financial statements*' section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(12) for accounting policies adopted for the valuation of inventories, Note 5 for critical accounting estimates and assumptions related to the valuation of inventories, and Note 6(4) for details of inventories. As of December 31, 2020, inventory and allowance for valuation losses are NT\$1,055,435 thousand and NT\$120,706 thousand, respectively.

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

How our audit addressed the matter

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

1. Understanding the industry and operations of the Group, and assessing the reasonableness of accounting policies applied in determining the adequacy of inventory provision.
2. Understanding the inventory management processes, examining the annual physical count plan, and performing physical inventory observation to assess the effectiveness of judgement and control over obsolete or slow-moving inventory.
3. Obtaining inventory aging report and testing movements to confirm whether they are assigned to the correct aging category and are in accordance with the Group's accounting policy. We also recalculated to check the adequacy of the allowance for valuation losses.
4. Analysing and comparing the difference of inventory valuation losses between the latest two years and examining supporting evidences in relation to allowance for slow-moving inventory valuation losses, which were individually identified by the management based on the inventory clearance condition, to assess the propriety of inventory valuation losses.

Cutoff of export revenue recognition

Description

For accounting policies adopted for revenue recognition, refer to Note 4(24).

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

How our audit addressed the matter

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

1. Understanding and assessing the effectiveness of export revenue recognition control processes.
2. Obtaining a detailed listing of export sales within a certain period before and after period end, selecting samples and assessing the completeness by agreeing the sale to supporting documentation (such as export bill of lading and proof of delivery) to ascertain whether the sale was recorded in the proper period.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Test Research, Inc. as at and for the years ended December 31, 2020 and 2019.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Pan, Hui-Lin

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2021

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

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
Current assets					
1100	Cash and cash equivalents	\$ 1,560,909	22	\$ 1,300,530	20
1136	Current financial assets at amortised cost	231,422	3	204,777	3
1150	Notes receivable, net	72,840	1	25,343	-
1170	Accounts receivable, net	1,846,509	27	1,934,508	30
1200	Other receivables	20,850	-	21,016	-
130X	Inventories	934,729	13	738,433	11
1470	Other current assets	28,258	1	39,434	1
11XX	Total current assets	4,695,517	67	4,264,041	65
Non-current assets					
1600	Property, plant and equipment	2,131,960	31	2,135,082	33
1755	Right-of-use assets	44,109	1	61,824	1
1780	Intangible assets	24,807	-	20,237	-
1840	Deferred income tax assets	90,620	1	76,260	1
1900	Other non-current assets	10,290	-	11,591	-
15XX	Total non-current assets	2,301,786	33	2,304,994	35
1XXX	Total assets	\$ 6,997,303	100	\$ 6,569,035	100

(Continued)

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Contract liabilities - current	6(12)	\$ 24,302	1	\$ 48,694	1
2150	Notes payable		16,782	-	26,398	-
2170	Accounts payable		494,597	7	455,746	7
2200	Other payables	6(7)	300,303	5	276,615	4
2230	Current income tax liabilities		143,357	2	109,836	2
2280	Current lease liabilities		17,293	-	20,582	-
2300	Other current liabilities		7,859	-	8,943	-
21XX	Total current liabilities		<u>1,004,493</u>	<u>15</u>	<u>946,814</u>	<u>14</u>
Non-current liabilities						
2550	Provisions for liabilities - non-current		41,343	1	35,298	-
2570	Deferred income tax liabilities	6(17)	160,147	2	102,193	2
2580	Non-current lease liabilities		26,215	-	40,940	1
2600	Other non-current liabilities	6(8)	62,911	1	61,358	1
25XX	Total non-current liabilities		<u>290,616</u>	<u>4</u>	<u>239,789</u>	<u>4</u>
2XXX	Total liabilities		<u>1,295,109</u>	<u>19</u>	<u>1,186,603</u>	<u>18</u>
Equity attributable to owners of the parent						
Share capital						
3110	Common stock	6(9)	2,362,160	34	2,362,160	36
Capital surplus						
3200	Capital surplus	6(10)	53,290	1	53,290	1
Retained earnings						
3310	Legal reserve	6(11)	1,306,390	18	1,213,046	18
3320	Special reserve		67,270	1	41,795	1
3350	Unappropriated retained earnings		1,970,293	28	1,779,411	27
Other equity interest						
3400	Other equity interest		(57,209)	(1)	(67,270)	(1)
31XX	Equity attributable to owners of the parent		<u>5,702,194</u>	<u>81</u>	<u>5,382,432</u>	<u>82</u>
3XXX	Total equity		<u>5,702,194</u>	<u>81</u>	<u>5,382,432</u>	<u>82</u>
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 6,997,303</u>	<u>100</u>	<u>\$ 6,569,035</u>	<u>100</u>

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(12)	\$ 4,950,695	100	\$ 4,386,806	100
5000	Operating costs	6(4)(15)(16)	(2,235,439)	(45)	(1,897,217)	(43)
5950	Gross margin		<u>2,715,256</u>	<u>55</u>	<u>2,489,589</u>	<u>57</u>
	Operating expenses	6(15)(16)				
6100	Selling expenses		(728,124)	(15)	(740,949)	(17)
6200	General and administrative expenses		(155,817)	(3)	(150,021)	(3)
6300	Research and development expenses		(390,750)	(8)	(422,541)	(10)
6450	Expected credit impairment loss (gain)	12(2)	(3,240)	-	20,436	1
6000	Total operating expenses		(1,277,931)	(26)	(1,293,075)	(29)
6900	Operating profit		<u>1,437,325</u>	<u>29</u>	<u>1,196,514</u>	<u>28</u>
	Non-operating income and expenses					
7100	Interest income		7,719	-	7,803	-
7010	Other income	6(13)	18,857	1	7,156	-
7020	Other gains and losses	6(14)	(89,288)	(2)	(49,106)	(1)
7050	Finance costs	6(6)	(1,368)	-	(1,408)	-
7000	Total non-operating income and expenses		(64,080)	(1)	(35,555)	(1)
7900	Profit before income tax		<u>1,373,245</u>	<u>28</u>	<u>1,160,959</u>	<u>27</u>
7950	Income tax expense	6(17)	(280,589)	(6)	(222,261)	(5)
8200	Profit for the year		<u>\$ 1,092,656</u>	<u>22</u>	<u>\$ 938,698</u>	<u>22</u>
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(8)	(\$ 3,442)	-	(\$ 5,261)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		12,576	-	(31,844)	(1)
8399	Income tax relating to the components of other comprehensive (loss) income that will be reclassified to profit or loss	6(17)	(2,515)	-	6,369	-
8300	Total other comprehensive income (loss) for the year		<u>\$ 6,619</u>	<u>-</u>	<u>(\$ 30,736)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>\$ 1,099,275</u>	<u>22</u>	<u>\$ 907,962</u>	<u>21</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 1,092,656</u>	<u>22</u>	<u>\$ 938,698</u>	<u>22</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 1,099,275</u>	<u>22</u>	<u>\$ 907,962</u>	<u>21</u>
	Earnings per share (in dollars)	6(18)				
9750	Basic earnings per share		<u>\$ 4.63</u>		<u>\$ 3.97</u>	
9850	Diluted earnings per share		<u>\$ 4.62</u>		<u>\$ 3.96</u>	

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								
	Notes	Capital Reserves			Retained Earnings		Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Donated assets received	Legal reserve	Special reserve			
<u>2019</u>									
Balance at January 1, 2019		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,106,607	\$ 30,123	\$ 1,838,084	(\$ 41,795)	\$ 5,348,469
Profit for the year		-	-	-	-	-	938,698	-	938,698
Other comprehensive loss for the year		-	-	-	-	-	(5,261)	(25,475)	(30,736)
Total comprehensive income (loss)		-	-	-	-	-	933,437	(25,475)	907,962
Appropriations of 2018 earnings	6(11)								
Legal reserve		-	-	-	106,439	-	(106,439)	-	-
Special reserve		-	-	-	-	11,672	(11,672)	-	-
Cash dividends		-	-	-	-	-	(873,999)	-	(873,999)
Balance at December 31, 2019		<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 1,213,046</u>	<u>\$ 41,795</u>	<u>\$ 1,779,411</u>	<u>(\$ 67,270)</u>	<u>\$ 5,382,432</u>
<u>2020</u>									
Balance at January 1, 2020		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,213,046	\$ 41,795	\$ 1,779,411	(\$ 67,270)	\$ 5,382,432
Profit for the year		-	-	-	-	-	1,092,656	-	1,092,656
Other comprehensive income (loss) for the year		-	-	-	-	-	(3,442)	10,061	6,619
Total comprehensive income		-	-	-	-	-	1,089,214	10,061	1,099,275
Appropriations of 2019 earnings	6(11)								
Legal reserve		-	-	-	93,344	-	(93,344)	-	-
Special reserve		-	-	-	-	25,475	(25,475)	-	-
Cash dividends		-	-	-	-	-	(779,513)	-	(779,513)
Balance at December 31, 2020		<u>\$ 2,362,160</u>	<u>\$ 51,874</u>	<u>\$ 1,416</u>	<u>\$ 1,306,390</u>	<u>\$ 67,270</u>	<u>\$ 1,970,293</u>	<u>(\$ 57,209)</u>	<u>\$ 5,702,194</u>

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,373,245	\$ 1,160,959
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	116,556	116,077
Amortisation	6(15)	12,174	10,271
Expected credit impairment loss (gain)	12(2)	3,240	(20,436)
Interest income		(7,719)	(7,803)
Interest expense	6(6)	1,368	1,408
Gain on disposal of property, plant and equipment	6(14)	(7,378)	(4,538)
Intangible assets transferred to expenses		79	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(47,497)	33,726
Accounts receivable		84,759	153,416
Other receivables		597	8,189
Inventory		(259,942)	127,953
Other current assets		14,174	6,660
Changes in operating liabilities			
Contract liabilities - current		(24,392)	9,060
Notes payable		(9,616)	(500)
Accounts payable		38,851	74,614
Other payables		23,687	(31,723)
Other current liabilities		(1,084)	750
Provisions for liabilities - non-current		6,045	8,326
Other non-current liabilities		(1,889)	(1,755)
Cash inflow generated from operations		1,315,258	1,644,654
Interest received		7,288	5,778
Interest paid		(1,368)	(1,408)
Income taxes paid		(200,959)	(290,818)
Net cash flows from operating activities		1,120,219	1,358,206
CASH FLOWS FROM INVESTING ACTIVITIES			
Financial assets at amortised cost		(26,645)	(204,777)
Other current financial assets		(2,998)	(74)
Acquisition of property, plant and equipment	6(5)	(35,795)	(39,964)
Proceeds from disposal of property, plant and equipment		24,408	15,492
Acquisition of intangible assets		(16,819)	(13,784)
Decrease (increase) in refundable deposits		1,301	(2,797)
Decrease in other non-current assets		-	29
Net cash flows used in investing activities		(56,548)	(245,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease principal repayment		(26,653)	(24,360)
Payment of cash dividends	6(11)	(779,513)	(873,999)
Net cash flows used in financing activities		(806,166)	(898,359)
Effect due to changes in exchange rate		2,874	(10,875)
Net increase in cash and cash equivalents		260,379	203,097
Cash and cash equivalents at beginning of year		1,300,530	1,097,433
Cash and cash equivalents at end of year		\$ 1,560,909	\$ 1,300,530

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

Appendix 4

TRI 2020 Earnings Distribution Table

Unit: NT\$

Undistributed earnings in the beginning of 2020	881,078,492
Add: Net after-tax profit for the year	1,092,656,108
Add: Reversal of Special Reserve	10,060,965
Less: 10% legal reserve	(108,921,433)
Less: 2020 retained earnings adjustment	(3,441,780)
Earnings available for distribution by the end of the fiscal year	1,871,432,352
Distributable item: Dividend to shareholders(NT\$3.3 per share)	(779,512,800)
Undistributed earnings at the end of 2020	1,091,919,552

Chairman: Chieh-Yuan,Chen

Manager: Chieh-Yuan,Chen

Accounting Chief: Kaun-Yuan, Chen

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

Appendix 5

TRI Articles of Association

Chapter 1 General Principles

Article 1: The Company is organized under the provisions of Company Act, with the name of Test Research, Inc.

Article 2: The businesses of the Company include:

- 一、CB01010 machinery and equipment manufacturing.
- 二、CE01010 precision instruments manufacturing.
- 三、CE01030 photographic and optical equipment manufacturing.
- 四、E604010 machinery installation construction.
- 五、EZ05010 apparatus installation construction.
- 六、F113030 wholesale of precision instruments.
- 七、F119010 wholesale of electronic materials.
- 八、F213030 retail sale of computing and business machinery equipment.
- 九、F213040 retail sale of precision instruments.
- 十、F219010 retail sale of electronic materials.
- 十一、F401010 international trade.
- 十二、I301010 information software service.
- 十三、I501010 product design.
- 十四、ZZ99999 all business items that are not prohibited or restricted by laws, except those that are subject to special approval.

Article 3: The Company may act as guarantor externally based on business demands.

Article 4: The re-investment amount of the Company is free from the restriction of no more than 40% in the paid-in capital.

Article 5: The Company is headquartered in Taipei County, and may set up and cancel branch or office home and abroad upon the resolution of the Board of Directors.

Article 6: Removed.

Chapter 2 Shares

Article 7: The capital amount of the Company is NT\$2.5 billion composed of 250,000,000 shares with NTD10 per share. Wherein, the Board of Directors is authorized to issue the unissued shares by installments.

NT\$50,000,000 in the above capital amount equivalent to 5,000,000 shares of NT\$10 per share are retained for staff subscription right, which shall be issued by installments based on the resolution of the Board of Directors.

Article 8: The shares of the Company are registered, which are issued with the signature or seal of more than 3 directors based on the legal certification. The Company may issue the shares in scriptless form after issuing the shares publically. Moreover, it shall consult the Central Securities Depository for register.

Article 9: Regarding the change of shareholders list, it shall be stopped 60 days before the general Shareholders meeting, 30 days before the interim Shareholders meeting or 5 days before the baseline date when company decides to distribute dividend, bonuses or other profits.

Article 10: The shareholder affairs of the Company shall be subject to the regulations prescribed by the related laws and the competent authority.

Chapter 3 Shareholders Meeting

Article 11: It is divided into the general and interim meetings. The general meeting is held annually by the

Board of Directors of Directors within 6 months after each fiscal year in accordance with laws, while the interim meeting is convened in accordance with laws if necessary.

Article 12: The Chairman shall preside over the meetings convened by the Board of Directors. In case the Chairman is absent, s/he shall designate a person to act in lieu of him. If no one is designated, the directors shall elect one from themselves to act in lieu of the Chairman. As for the meetings convened by any other person having the convening right rather other the Board of Directors, the convener shall act as the Chairman. If there are two or more persons having the convening right, the Chairman of the meeting shall be elected among themselves.

Article 13: If any shareholder can't attend the shareholder meeting for some reason, the Letter of Attorney printed by the Company shall be printed that specifies the authorization scope of the proxy to attend the meeting. The proxy appointment shall be subject to Article 177 of the Company Act and "Regulations Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Listed Companies".

Article 14: The shareholders of the Company shall have one vote for each share unless the voting right is restricted or prohibited by the Company Act.

Article 15: Unless otherwise provided by the Company Act, the resolution of the shareholders meeting requires the presence of shareholders representing more than half of the issued shares, and the approval of more than half of votes of the shareholders attending the meeting. The resolutions of the shareholders meeting shall be recorded in the meeting minutes.

The resolutions passed in the shareholders meeting shall be recorded in memo, which shall be signed or sealed by the Chairman, and distributed to the shareholders within 20 days after the meeting. After the Company issues the shares publically, the memo shall be distributed by making announcements. The memo can be generated and distributed in an electronic way.

Chapter 4 Directors and Audit Committee

Article 16: The Company sets up 5~9 directors. The Board Meeting is authorized to determine the number of directors, which shall include at least 3 independent directors. The election of directors adopts the nomination system as required by the Company Act. The independent directors and non-independent directors shall be elected in the same election, but the respective votes shall be separately calculated to determine the elected persons. The directors shall be elected and appointed based on the cumulative counts as stipulated in Article 198 of the Company Act, with a three-year term, who may be re-elected and re-appointed for one additional term. The representative of entity shareholder may be elected as director. Where there are several representatives of any entity shareholder, they may be elected as directors or supervisors, and the entity shareholder shall appoint a replacement representative based on the position until the expiration of the original term.

As for the professional qualifications, shareholdings, restrictions on concurrent positions held, nomination and other compliances with respect to independent directors, it is subject to the related regulations under the competent authority of the securities.

The Company sets up Audit Committee as required by Securities and Exchange Act, which is composed of all independent directors.

Article 16-1: One of the following relationships may not exist among more than half of the directors.

1. A spousal relationship.
2. A familial relationship within the second degree of kinship.

Article 17: The Board of Director shall exercise the legal duties in the Board. An Chairman shall be elected from themselves with the presence of more than 2/3 directors, and the approval of more than half of the directors attending the meeting. The Chairman represents the company externally, and

may appoint several consultants upon the resolution of the board meeting if necessary.

Article 18: The first board meeting of each new term after an election shall be convened by the director who receives the ballot representing the highest number of votes within 15 days. The other board meetings shall be convened by the Chairman, which shall specify the reason and inform the directors within written notice 7 days in advance. However, in case of emergency, the Company's board meeting can be convened via E-mail or fax instead of written notice.

Article 19: Unless otherwise provided by the Company Act and the Articles of Association, the resolutions shall be attended by more than 2/3 directors and approved by more than half number of the attending directors.

Article 20: When the Chairman is on leave or can't exercise the duties for some reason, the proxy shall be subject to Article 208 of the Company Act.

Article 21: The director may authorize another director in written form to attend the board meeting in lieu of him. However, each director can only serve as the proxy of only one director.

Article 22: The board organizes the board meeting, with the rights as listed below:

- 一、 Make and revising business plan.
- 二、 Make earning distribution or loss recovery plan.
- 三、 Make capital increase/decrease plan.
- 四、 Amend the Articles of Association.
- 五、 Review the important contracts.
- 六、 Appoint managers.
- 七、 Set up and cancel the branches and offices.
- 八、 Budgeting and final accounts.
- 九、 Decide the transaction of real properties and investment into other businesses.
- 十、 Other rights granted based on the Company Act or the resolution of shareholders meeting.

Article 23: Removed.

Article 24: The duties and related affairs of the Audit Committee and its members are subject to the related regulations under the competent authority of the securities.

Article 25: The directors shall be distributed with remuneration as stipulated by Article 29, who shall also receive some reward of a fixed amount every month. The board is authorized to determine the reward based on the competitors and the level of listed companies.

Chapter 5 Managers

Article 26: The Company shall set up General Manager, whose appointment, dismiss and remuneration shall be subject to Article 29 of the Company Act.

Article 27: The General Manager shall deal with all businesses of the Company as instructed by the Board.

Chapter 6 Accounting

Article 28: The fiscal year of the Company is from Jan. 1 to Dec. 31. At the end of each fiscal year, it shall close the final accounts. After the final accounts every year, the Board will prepare various reports as required by laws, which shall be submitted to the shareholders meeting for approval.

Article 29: 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.

Article 29-1: 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.
The subjects distributed with the above remuneration shall include the employees of the subsidiaries.

Chapter 7 Supplementary Provisions

Article 30: The affairs not mentioned herein this document shall be subject to the Company Act and other laws.

Article 31: The document was drafted on March 31, 1989

The 1st amendment was on June 1, 1989

The 2nd amendment was on April 6, 1990

The 3rd amendment was on February 25, 1995

The 4th amendment was on November 20, 1995

The 5th amendment was on July 18, 1996

The 6th amendment was on May 27, 1997

The 7th amendment was on June 8, 1997

The 8th amendment was on June 18, 1998

The 9th amendment was on March 27, 1999

The 10th amendment was on June 3, 2000

The 11th amendment was on April 28, 2001

The 12th amendment was on May 4, 2002

The 13th amendment was on June 23, 2003

The 14th amendment was on June 15, 2004

The 15th amendment was on June 14, 2005

The 16th amendment was on June 9, 2006

The 17th amendment was on June 15, 2007

The 18th amendment was on June 13, 2008

The 19th amendment was on June 19, 2009

The 20th amendment was on June 18, 2010

The 21st amendment was on June 6, 2011

The 22nd amendment was on June 3, 2016

The 23rd amendment was on May 26, 2018

The 24rd amendment was on May 29, 2019

Appendix 6

TRI Rules Governing the Shareholders Meeting

1. The general shareholders meeting of the Company is subject to the Rules.
2. The shareholders attending the meeting (or the proxies) shall present the attendance card and submit the sign-in card for checking in, based on which the attending votes shall be calculated.
3. Unless otherwise provided by the Company Act, the Chairman shall call the general meeting to order at the time schedules and when the attending shareholders hold more than half of the issued shares. If the scheduled time is due and the number of shares represented by the attending shareholders is less than the quorum, the Chairman may announce to postpone the time for the meeting. If the number of shares represented by the attending shareholders is less than the quorum after two postponements, but more than 1/3 of the issued shares, it shall be subject to “the tentative resolution passed by more than half of the votes represented by the attending shareholders” pursuant to Article 175 of the Company Act.
If the number of shares represented by the attending shareholders reaches the above quorum before the tentative resolution is passed, the Chairman shall call the meeting to order and submit the said tentative resolution for ratification in the meeting.
4. The meeting agenda is determined by the Board, based on which the general meeting shall be held.
5. When making a speech, the attending shareholder shall fill out a speech note with the number of attendance card and name. The sequence of speeches shall be determined by the Chairman.
6. When the attending shareholder makes a speech, each speech time shall not exceed five minutes, which can be extended for three minutes upon the approval of the Chairman.
7. Any shareholder may not speak more than twice concerning the same proposal item.
8. During the discussion of proposals, the Chairman may announce the conclusion of discussion at the appropriate time, and also announce the termination of discussion when necessary.
9. The shareholders of the Company shall have one vote for each share unless the voting right is restricted or prohibited by the Company Act.
10. As for voting for proposals, unless otherwise provided by the Company Act, it shall be passed upon the consent of more than half of the voting rights represented by the attending shareholders. When voting, the Chairman may consult the number of objecting shareholders. If the voting rights of the objecting shareholders are less than a half, or no objection is consulted by the Chairman, the proposal shall be deemed as being passed, which has the same effect as voting.
11. During the general meeting, the Chairman may, at his or her discretion, set for intermission.
12. The affairs not mentioned herein this document shall be subject to the Company Act and the Articles of Association of the Company.

The Rules shall be implemented upon the approval of the Board, and it is the same for the amendments.

Appendix 7 Current Shareholdings of All Directors:

1. The paid-in capital of the Company is NT\$2,362,160,000, with a total of 236,216,000 shares issued.
2. According to Article 26 of Securities and Exchange Act, the minimum number of shares held by all directors is 12,000,000.

Until the book closure date of this general meeting, the shareholding of all directors recorded under the shareholder book is as listed below:

March 28, 2021			
Title	Account Name	Number of shares held	Shareholding percent
Chairman	Chieh-Yuan,Chen	37,889,235	16.04%
Director	Kuang-Chao,Fan	151,211	0.06%
Director	Chin-Lung,Chen	415,857	0.18%
Director	Chiang-Huai,Lin	2,357,864	1.00%
Director	Ming-Chuan,Tsai	1,005,650	0.43%
Director	Representative of Der-Hong Investment Co., Ltd.: Chiou-Shann,Fuh	2,738,939	1.16%
Independent Director	Mei-Jing,Chen	0	0.00%
Independent Director	Yow-Shiuan, Fu	0	0.00%
Independent Director	Liang-Jia,Chen	0	0.00%
Total shareholdings of all directors		44,558,756	18.87%

Appendix 8 Any other matters that need to be specified:

The notes for proposals handled in this shareholders meeting:

- Notes: 1. According to Article 172-1 of the Company Act, the shareholder representing more than 1% of the issued shares shall submit proposal in written forms for the shareholders meeting, which is limited to one proposal within 300 words.
2. The period for receiving the shareholder's proposal for this shareholders meeting is March 19, 2021~March 29, 2021, which is already disclosed on MOPS.
 3. No proposal from shareholders is received by the Company.