

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2018 AND 2017**

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

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18003602

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

***Opinion***

We have audited the accompanying consolidated balance sheets of Test Research, Inc. and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (refer to “*other matter*”), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

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

***Key audit matters***

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

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

### **Evaluation of inventories**

#### Description

Refer to Note 4(10) for accounting policies adopted for the evaluation of inventories, Note 5 for critical accounting estimates and assumptions related to the evaluation of inventories, and Note 6(3) for details of inventories. As of December 31, 2018, inventory and allowance for valuation losses are NT\$912,770 thousand and NT\$105,235 thousand, respectively.

The Group is primarily engaged in sales 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 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 evaluation of inventory requires critical judgement and a high degree of uncertainty in estimation, we consider the evaluation of allowance for inventory valuation losses a key audit matter.

#### How our audit addressed the matter

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

1. Understanding the industry and operations of the Group, and assessing the reasonableness of accounting policies applied in the evaluation 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 of obsolete or slow-moving inventory.
3. Obtaining inventory aging report, and testing movements to confirm whether they are assigned to the correct aging category by the system 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 documents 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 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 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 - Audits of the other independent accountants***

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$70,268 thousand and NT\$55,029 thousand, both constituting 1% of the consolidated total assets as at December 31, 2018 and 2017, respectively, and total operating revenue were both NT\$0 for the years then ended. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these consolidated subsidiaries, is based solely on the audit reports of the other independent accountants.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Test Research, Inc. as at and for the years ended December 31, 2018 and 2017.

***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.

***Auditor’s responsibilities for the audit of the consolidated financial statements***

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

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



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

Pan, Hui-Lin

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2019

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

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2018	December 31, 2017
	<b>Current assets</b>			
1100	Cash and cash equivalents	6(1)	\$ 1,097,433	\$ 1,230,388
1150	Notes receivable, net	6(2)	59,069	48,819
1170	Accounts receivable, net	6(2)	2,067,488	1,662,196
1200	Other receivables		27,180	24,015
130X	Inventories	6(3)	912,770	822,966
1470	Other current assets	8	46,326	38,015
11XX	<b>Total current assets</b>		<u>4,210,266</u>	<u>3,826,399</u>
	<b>Non-current assets</b>			
1600	Property, plant and equipment	6(4) and 8	2,159,648	2,166,358
1780	Intangible assets		16,708	8,089
1840	Deferred income tax assets	6(15)	72,851	52,341
1900	Other non-current assets		8,823	8,713
15XX	<b>Total non-current assets</b>		<u>2,258,030</u>	<u>2,235,501</u>
1XXX	<b>Total assets</b>		<u>\$ 6,468,296</u>	<u>\$ 6,061,900</u>

(Continued)



TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
	<b>Current liabilities</b>			
2130	Contract liabilities-current	6(10)	\$ 39,634	\$ -
2150	Notes payable		26,898	42,998
2170	Accounts payable		381,132	563,775
2200	Other payables	6(5)	308,338	224,338
2230	Current income tax liabilities		189,454	73,377
2300	Other current liabilities		8,193	33,678
21XX	<b>Total current liabilities</b>		<u>953,649</u>	<u>938,166</u>
	<b>Non-current liabilities</b>			
2550	Provisions for liabilities – non-current		26,972	19,260
2570	Deferred income tax liabilities	6(15)	81,354	40,572
2600	Other non-current liabilities	6(6)	57,852	54,948
25XX	<b>Total non-current liabilities</b>		<u>166,178</u>	<u>114,780</u>
2XXX	<b>Total liabilities</b>		<u>1,119,827</u>	<u>1,052,946</u>
	<b>Equity attributable to owners of the parent</b>			
	<b>Share capital</b>	6(7)		
3110	Common stock		2,362,160	2,362,160
	<b>Capital surplus</b>	6(8)		
3200	Capital surplus		53,290	53,290
	<b>Retained earnings</b>	6(9)		
3310	Legal reserve		1,106,607	1,047,121
3320	Special reserve		30,123	25,803
3350	Unappropriated retained earnings		1,838,084	1,550,703
	<b>Other equity interest</b>			
3400	Other equity interest		( 41,795 )	( 30,123 )
31XX	<b>Equity attributable to owners of the parent</b>		<u>5,348,469</u>	<u>5,008,954</u>
3XXX	<b>Total Equity</b>		<u>5,348,469</u>	<u>5,008,954</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9		
	<b>Significant subsequent events</b>	11		
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,468,296</u>	<u>\$ 6,061,900</u>

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

Items	Notes	2018	2017
4000 <b>Operating revenue</b>	6(10) and 12(5)	\$ 4,919,426	\$ 3,601,158
5000 <b>Operating costs</b>	6(3)(13)(14)	( 2,290,122)	( 1,693,553)
5950 <b>Net operating margin</b>		<u>2,629,304</u>	<u>1,907,605</u>
<b>Operating expenses</b>	6(13)(14)		
6100 Selling expenses		( 813,348)	( 706,730)
6200 General and administrative expenses		( 151,715)	( 128,825)
6300 Research and development expenses		( 379,841)	( 314,368)
6450 Expected credit impairment loss	12(2)	( 14,649)	-
6000 <b>Total operating expenses</b>		( 1,359,553)	( 1,149,923)
6900 <b>Operating profit</b>		<u>1,269,751</u>	<u>757,682</u>
<b>Non-operating income and expenses</b>			
7010 Other income	6(11)	23,630	26,806
7020 Other gains and losses	6(12)	41,154	68,295
7050 Finance costs		( 47)	-
7000 <b>Total non-operating income and expenses</b>		<u>64,737</u>	<u>41,489</u>
7900 <b>Profit before income tax</b>		<u>1,334,488</u>	<u>716,193</u>
7950 Income tax expense	6(15)	( 270,089)	( 121,328)
8200 <b>Profit for the year</b>		<u>\$ 1,064,399</u>	<u>\$ 594,865</u>
<b>Other comprehensive loss</b>			
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>			
8311 Remeasurement arising on defined benefit plans	6(6)	( \$ 4,564)	( \$ 2,202)
<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>			
8361 Financial statements translation differences of foreign operations		( 13,989)	( 5,205)
8399 Income tax relating to the components of other comprehensive loss	6(15)	<u>2,317</u>	<u>885</u>
8360 <b>Other comprehensive loss that will be reclassified to profit or loss</b>		( 11,672)	( 4,320)
8300 <b>Total other comprehensive loss for the year</b>		<u>( \$ 16,236)</u>	<u>( \$ 6,522)</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 1,048,163</u>	<u>\$ 588,343</u>
<b>Profit attributable to:</b>			
8610 Owners of the parent		<u>\$ 1,064,399</u>	<u>\$ 594,865</u>
<b>Comprehensive income attributable to:</b>			
8710 Owners of the parent		<u>\$ 1,048,163</u>	<u>\$ 588,343</u>
<b>Earnings per share (in dollars)</b>	6(16)		
9750 <b>Basic earnings per share</b>		<u>\$ 4.51</u>	<u>\$ 2.52</u>
9850 <b>Diluted earnings per share</b>		<u>\$ 4.48</u>	<u>\$ 2.51</u>

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent							
		Capital Surplus			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
Notes	Common stock	Additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>2017</u>									
	Balance at January 1, 2017	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,004,199	\$ 14,381	\$ 1,721,032	(\$ 25,803 )	\$ 5,129,259
	Profit for the year	-	-	-	-	-	594,865	-	594,865
	Other comprehensive loss for the year	-	-	-	-	-	( 2,202 )	( 4,320 )	( 6,522 )
	Total comprehensive income (loss)	-	-	-	-	-	592,663	( 4,320 )	588,343
	Appropriations of 2016 earnings	6(9)							
	Legal reserve	-	-	-	42,922	-	( 42,922 )	-	-
	Special reserve	-	-	-	-	11,422	( 11,422 )	-	-
	Cash dividends	-	-	-	-	-	( 708,648 )	-	( 708,648 )
	Balance at December 31, 2017	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,047,121	\$ 25,803	\$ 1,550,703	(\$ 30,123 )	\$ 5,008,954
<u>2018</u>									
	Balance at January 1, 2018	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,047,121	\$ 25,803	\$ 1,550,703	(\$ 30,123 )	\$ 5,008,954
	Profit for the year	-	-	-	-	-	1,064,399	-	1,064,399
	Other comprehensive loss for the year	-	-	-	-	-	( 4,564 )	( 11,672 )	( 16,236 )
	Total comprehensive income (loss)	-	-	-	-	-	1,059,835	( 11,672 )	1,048,163
	Appropriations of 2017 earnings	6(9)							
	Legal reserve	-	-	-	59,486	-	( 59,486 )	-	-
	Special reserve	-	-	-	-	4,320	( 4,320 )	-	-
	Cash dividends	-	-	-	-	-	( 708,648 )	-	( 708,648 )
	Balance at December 31, 2018	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,106,607	\$ 30,123	\$ 1,838,084	(\$ 41,795 )	\$ 5,348,469

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



TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,334,488	\$ 716,193
Adjustments			
Adjustments to reconcile profit			
Depreciation	6(13)	90,201	89,446
Amortisation	6(13)	8,313	6,707
Expected credit impairment loss	12(2)	14,649	-
Provision for bad debts expense	12(4)	-	5,405
Interest income	6(11)	( 3,612 )	( 8,107 )
Interest expense		47	-
(Gain) loss on disposal of property, plant and equipment	6(12)	( 3,066 )	756
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		( 10,250 )	( 11,550 )
Accounts receivable		( 419,941 )	( 482,115 )
Other receivables		( 3,468 )	( 10,390 )
Inventory		( 150,236 )	( 339,036 )
Other current assets		( 8,215 )	( 16,471 )
Changes in operating liabilities			
Contract liabilities - current		7,266	-
Notes payable		( 16,100 )	27,102
Accounts payable		( 182,643 )	292,626
Other payables		84,000	16,134
Other current liabilities		6,883	16,471
Provisions for liabilities – non-current		7,712	( 4 )
Other non-current liabilities		( 1,660 )	( 1,541 )
Cash inflow generated from operations		754,368	301,626
Interest recieved		3,915	11,376
Interest paid		( 47 )	-
Income tax paid		( 131,423 )	( 64,528 )
Net cash flows from operating activities		626,813	248,474
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in other financial assets		( 96 )	249
Acquisition of property, plant and equipment	6(4)	( 34,281 )	( 34,778 )
Proceeds from disposal of property, plant and equipment		9,925	7,469
Acquisition of intangible assets		( 16,913 )	( 6,714 )
(Increase) decrease in other non-current assets		( 110 )	791
Net cash flows used in investing activities		( 41,475 )	( 32,983 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Payment of cash dividends	6(9)	( 708,648 )	( 708,648 )
Net cash flows used in financing activities		( 708,648 )	( 708,648 )
Effect due to changes in exchange rate		( 9,645 )	( 3,769 )
Net decrease in cash and cash equivalents		( 132,955 )	( 496,926 )
Cash and cash equivalents at beginning of year		1,230,388	1,727,314
Cash and cash equivalents at end of year		\$ 1,097,433	\$ 1,230,388

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

**1. HISTORY AND ORGANISATION**

Test Research, Inc. (the Company) was incorporated in April 1989 under the provisions of the Company Law of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design, assembling, manufacture, sales, repairs and maintenance of automated inspection and testing equipment.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 2019.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

#### IFRS 15, 'Revenue from contracts with customers' and amendments

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

- B. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 15. The significant effect of applying the standard as of January 1, 2018 is that liabilities in relation to contracts are classified as contract liabilities, but were previously presented as receipts in advance (shown as 'other current liabilities') in the balance sheet. As of January 1, 2018, the balance amounted to \$32,368.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:



New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

#### IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by \$13,218 and \$13,056, respectively, and other current assets will be decreased by \$162.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition

and financial performance based on the Group's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39') and International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

##### (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			December 31,		
			2018	2017	
Test Research, Inc.	DOLI TRADING LIMITED (DOLI)	Trading	100	100	-
Test Research, Inc.	TEST RESEARCH USA INC. (TRU)	Trading	100	100	-
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH (TRE)	Trading	100	100	-
Test Research, Inc.	TRI JAPAN CORPORATION (TRJ)	Trading	100	100	-
Test Research, Inc.	TRI MALAYSIA SND. BHD (TRM)	Trading	100	100	-
Test Research, Inc.	TRI INVESTMENTS LIMITED (TIL)	Investment holdings	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shenzhen) Limited (TRI (SHENZHEN))	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Suzhou) Limited (TRI (SUZHOU))	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shanghai) Limited (TRI (SHANGHAI))	Import and export of equipment, consulting and after-sale maintenance service of equipment	100	100	-

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are



recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

**B. Translation of foreign operations**

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

**(5) Classification of current and non-current items**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) Inventories

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

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(12) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(13) Intangible assets

A. Trademarks

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

B. Computer software

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

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.



(15) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(16) Derecognition of financial liabilities

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

(17) Offsetting financial instruments

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

(18) Provisions

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit

credit method. The rate used to discount is determined by using interest rates of government bonds at the balance sheet date.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimated.

(20) Income tax

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

levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(22) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells automated inspection and testing equipment and related products. Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales are recognised at net of value-added tax, returns and discounts for the sales of goods using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Sales are usually made with a credit term of 90 days after acceptance. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales of services

The Group provides repairs and maintenance services of automated inspection and testing equipment. Revenue from providing services is recognised in the accounting period in which the services are rendered.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(23) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the

chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

###### Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Management considers the rapidly changing technology and the short life cycle of electronic products in evaluating inventories. For inventories that are over certain aging and individually identified obsolete or slow-moving items, the net 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. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was \$912,770.

##### 6. DETAILS OF SIGNIFICANT ACCOUNTS

###### (1) Cash and cash equivalents

	December 31,	
	2018	2017
Cash on hand and revolving funds	\$ 1,116	\$ 3,417
Checking accounts and demand deposits	976,323	726,971
Time deposits	-	500,000
Short-term notes and bills	119,994	-
	<u>\$ 1,097,433</u>	<u>\$ 1,230,388</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group's restricted cash and cash equivalents were classified as other financial assets (shown as "other current assets"). Please refer to Note 8 for details.

(2) Notes and accounts receivable

	December 31,	
	2018	2017
Notes receivable	\$ 59,069	\$ 48,819
Accounts receivable	\$ 2,095,371	\$ 1,678,606
Less: Allowance for uncollectible accounts	( 27,883)	( 16,410)
	<u>\$ 2,067,488</u>	<u>\$ 1,662,196</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31,			
	2018		2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,691,248	\$ 59,069	\$ 1,112,533	\$ 48,819
Past due				
Up to 60 days	259,426	-	291,034	-
61 to 90 days	60,659	-	91,237	-
91 to 180 days	34,691	-	119,134	-
181 to 365 days	29,609	-	50,013	-
Over 365 days	19,738	-	14,655	-
	<u>\$ 2,095,371</u>	<u>\$ 59,069</u>	<u>\$ 1,678,606</u>	<u>\$ 48,819</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$59,069 and \$48,819, \$2,067,488 and \$1,662,196, respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(3) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 904,703	(\$ 99,987)	\$ 804,716
Work in progress	83,844	( 1,462)	82,382
Finished goods	4,552	( 284)	4,268
Merchandise	24,906	( 3,502)	21,404
	<u>\$ 1,018,005</u>	<u>(\$ 105,235)</u>	<u>\$ 912,770</u>

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 727,662	(\$ 83,578)	\$ 644,084
Work in progress	150,465	( 179)	150,286
Finished goods	646	( 284)	362
Merchandise	31,705	( 3,471)	28,234
	<u>\$ 910,478</u>	<u>(\$ 87,512)</u>	<u>\$ 822,966</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	\$ 2,254,529	\$ 1,674,575
Loss on obsolete inventory	18,091	5,607
Loss on physical inventory	194	4
	<u>\$ 2,272,814</u>	<u>\$ 1,680,186</u>



(4) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
<u>At January 1, 2018</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 387,792	\$ 5,645	\$ 197,816	\$ 121,383	\$ 2,800,195
Accumulated depreciation	-	( 195,378)	( 231,075)	( 3,902)	( 112,674)	( 90,808)	( 633,837)
	<u>\$ 1,166,021</u>	<u>\$ 726,160</u>	<u>\$ 156,717</u>	<u>\$ 1,743</u>	<u>\$ 85,142</u>	<u>\$ 30,575</u>	<u>\$ 2,166,358</u>
<u>2018</u>							
Opening net book amount as at January 1	\$ 1,166,021	\$ 726,160	\$ 156,717	\$ 1,743	\$ 85,142	\$ 30,575	\$ 2,166,358
Additions	-	-	10,465	976	7,086	15,754	34,281
Transfer from inventory	-	-	24,374	-	33,224	2,834	60,432
Disposals	-	-	( 5,921)	( 73)	( 659)	( 206)	( 6,859)
Depreciation charge	-	( 18,110)	( 28,521)	( 568)	( 30,044)	( 12,958)	( 90,201)
Net exchange differences	-	-	( 4,317)	( 32)	( 49)	35	( 4,363)
Closing net book amount as at December 31	<u>\$ 1,166,021</u>	<u>\$ 708,050</u>	<u>\$ 152,797</u>	<u>\$ 2,046</u>	<u>\$ 94,700</u>	<u>\$ 36,034</u>	<u>\$ 2,159,648</u>
<u>At December 31, 2018</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 396,905	\$ 5,810	\$ 226,481	\$ 136,000	\$ 2,852,755
Accumulated depreciation	-	( 213,488)	( 244,108)	( 3,764)	( 131,781)	( 99,966)	( 693,107)
	<u>\$ 1,166,021</u>	<u>\$ 708,050</u>	<u>\$ 152,797</u>	<u>\$ 2,046</u>	<u>\$ 94,700</u>	<u>\$ 36,034</u>	<u>\$ 2,159,648</u>

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
<u>At January 1, 2017</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 321,862	\$ 5,996	\$ 186,708	\$ 117,785	\$ 2,719,910
Accumulated depreciation	-	( 177,255)	( 184,926)	( 4,382)	( 92,264)	( 78,079)	( 536,906)
	<u>\$ 1,166,021</u>	<u>\$ 744,283</u>	<u>\$ 136,936</u>	<u>\$ 1,614</u>	<u>\$ 94,444</u>	<u>\$ 39,706</u>	<u>\$ 2,183,004</u>
<u>2017</u>							
Opening net book amount as at January 1	\$ 1,166,021	\$ 744,283	\$ 136,936	\$ 1,614	\$ 94,444	\$ 39,706	\$ 2,183,004
Additions	-	-	25,707	708	5,016	3,347	34,778
Transfer from inventory	-	-	33,680	-	13,465	637	47,782
Disposals	-	-	( 7,783)	( 107)	( 298)	( 37)	( 8,225)
Depreciation charge	-	( 18,123)	( 30,397)	( 482)	( 27,444)	( 13,000)	( 89,446)
Net exchange differences	-	-	( 1,426)	10	( 41)	( 78)	( 1,535)
Closing net book amount as at December 31	<u>\$ 1,166,021</u>	<u>\$ 726,160</u>	<u>\$ 156,717</u>	<u>\$ 1,743</u>	<u>\$ 85,142</u>	<u>\$ 30,575</u>	<u>\$ 2,166,358</u>
<u>At December 31, 2017</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 387,792	\$ 5,645	\$ 197,816	\$ 121,383	\$ 2,800,195
Accumulated depreciation	-	( 195,378)	( 231,075)	( 3,902)	( 112,674)	( 90,808)	( 633,837)
	<u>\$ 1,166,021</u>	<u>\$ 726,160</u>	<u>\$ 156,717</u>	<u>\$ 1,743</u>	<u>\$ 85,142</u>	<u>\$ 30,575</u>	<u>\$ 2,166,358</u>

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

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

(5) Other payables

	December 31,	
	2018	2017
Salaries and bonus payable	\$ 151,060	\$ 111,078
Employees' compensation and directors' remuneration payable	64,238	35,680
Others	93,040	77,580
	<u>\$ 308,338</u>	<u>\$ 224,338</u>

(6) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	December 31,	
	2018	2017
Present value of funded obligations	\$ 108,413	\$ 102,744
Fair value of plan assets	( 50,561)	( 47,796)
Net defined benefit liability (shown as 'other non-current liabilities')	<u>\$ 57,852</u>	<u>\$ 54,948</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 102,744	(\$ 47,796)	\$ 54,948
Current service cost	13	-	13
Interest expense (income)	1,130	( 526)	604
	<u>103,887</u>	<u>( 48,322)</u>	<u>55,565</u>
Remeasurements:			
Actuarial gain	-	( 1,386)	( 1,386)
Change in financial assumptions	2,115	-	2,115
Experience adjustments	3,835	-	3,835
	<u>5,950</u>	<u>( 1,386)</u>	<u>4,564</u>
Pension fund contribution	-	( 2,277)	( 2,277)
Paid pension	( 1,424)	1,424	-
Balance at December 31	<u>\$ 108,413</u>	<u>(\$ 50,561)</u>	<u>\$ 57,852</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 99,861	(\$ 45,574)	\$ 54,287
Current service cost	12	-	12
Interest expense (income)	1,398	( 638)	760
	<u>101,271</u>	<u>( 46,212)</u>	<u>55,059</u>
Remeasurements:			
Actuarial loss	-	173	173
Change in financial assumptions	3,148	-	3,148
Experience adjustments	( 1,119)	-	( 1,119)
	<u>2,029</u>	<u>173</u>	<u>2,202</u>
Pension fund contribution	-	( 2,313)	( 2,313)
Balance at December 31	<u>( 556)</u>	<u>556</u>	<u>-</u>
	<u>\$ 102,744</u>	<u>(\$ 47,796)</u>	<u>\$ 54,948</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual

distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	0.90%	1.10%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality rate were estimated in accordance with the 5th version of Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 2,635)	\$ 2,730	\$ 2,407	(\$ 2,340)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 2,633)	\$ 2,731	\$ 2,418	(\$ 2,347)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The method and types of assumptions used for the preparation of sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$2,271.

- (g) As of December 31, 2018, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,760
1-2 years(s)		9,066
2-5 years		14,414
Over 5 years		35,971
	\$	<u>65,211</u>

#### B. Defined contribution plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The subsidiaries, DOLI, TIL, TRU, TRE, TRJ and TRM, have no pension plan, and its local laws have no compulsory requirements on the establishment of a pension plan. However, the Company’s Mainland China subsidiaries, TRI (SHENZHEN), TRI (SUZHOU) and TRI (SHANGHAI), have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$22,856 and \$21,202, respectively.

#### (7) Share capital

The Company’s authorised capital was \$2,500,000. As of December 31, 2018, the Company’s outstanding capital was \$2,362,160.

#### (8) Capital surplus

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

#### (9) Retained earnings

- A. Under the Company’s Articles of Incorporation, the dividend policies of the Company were based on future capital expenditure budget and the requirement of capital, dividend was appropriated



from accumulated distributable earnings, the distribution amount should not lower than 60% of accumulated distributable earnings, which cash dividend should not lower than 50% of the total distribution amount. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After the provision or reversal of special reserve, the remaining are distributable earnings of the current year, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the stockholders at the stockholders' meeting.

- B. The appropriations of 2017 and 2016 earnings had been resolved at the stockholders' meeting on May 30, 2018 and May 26, 2017, respectively. Details are summarised below:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 59,486		\$ 42,922	
Special reserve	\$ 4,320		\$ 11,422	
Cash dividends	\$ 708,648	\$ 3.0	\$ 708,648	\$ 3.0

- C. The appropriations of 2018 earnings had been proposed by the Board of Directors on February 27, 2019. Details are summarised below:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 106,440	
Special reserve	\$ 11,671	
Cash dividends	\$ 873,999	\$ 3.7

As of the report date, the abovementioned appropriations of 2018 earnings had not yet been resolved by the stockholders.

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

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

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

(10) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	\$ 4,919,426

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

	Year ended December 31, 2018
Taiwan	\$ 527,380
China	3,447,710
USA	77,272
Italy	115,494
Ireland	231,260
Others	520,310
	<u>\$ 4,919,426</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities	\$ 39,634

The amount of revenue recognised for the year ended December 31, 2018 that was included in the contract liability balance at the beginning of the year was \$28,714.

C. Related disclosures on operating revenue for 2017 are provided in Note 12(5) B.

(11) Other income

	Years ended December 31,	
	2018	2017
Interest income from bank deposits	\$ 3,612	\$ 8,107
Rental income	1,419	205
Other income	18,599	18,494
	<u>\$ 23,630</u>	<u>\$ 26,806</u>

(12) Other gains and losses

	Years ended December 31,	
	2018	2017
Net currency exchange gains (losses)	\$ 49,208	(\$ 57,212)
Gains (losses) on disposal of property, plant and equipment	3,066	( 756)
Other losses	( 11,120)	( 10,327)
	<u>\$ 41,154</u>	<u>(\$ 68,295)</u>

(13) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	\$ 919,724	\$ 764,388
Depreciation charges on property, plant and equipment	90,201	89,446
Amortisation charges on intangible assets	8,313	6,707
	<u>\$ 1,018,238</u>	<u>\$ 860,541</u>

(14) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	\$ 794,855	\$ 647,462
Labour and health insurance fees	65,159	60,464
Pension costs	23,473	21,974
Other personnel expenses	36,237	34,488
	<u>\$ 919,724</u>	<u>\$ 764,388</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$53,318 and \$29,614, respectively; while directors' remuneration was accrued at \$10,920 and \$6,066, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year for the year ended December 31, 2018 and the percentage as prescribed by the Company's Articles of Incorporation.

The employees' compensation and directors' remuneration for 2018 as resolved by the Board of Directors on February 27, 2019 in the amount of \$53,318 and \$10,920, respectively, were in agreement with those amounts recognised in the 2018 financial statements. Additionally, employees' compensation and directors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(15) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	\$ 248,808	\$ 111,355
Prior year income tax (over) underestimation	( 1,308)	4,972
Total current tax	<u>247,500</u>	<u>116,327</u>
Deferred tax:		
Origination and reversal of temporary differences	23,865	5,001
Impact of change in tax rate	( 1,276)	-
Total deferred tax	<u>22,589</u>	<u>5,001</u>
Income tax expense	<u>\$ 270,089</u>	<u>\$ 121,328</u>

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

	Years ended December 31,	
	2018	2017
Currency translation differences	(\$ 2,797)	(\$ 885)
Impact of change in tax rate	480	-
	<u>(\$ 2,317)</u>	<u>(\$ 885)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 313,314	\$ 146,983
Effect from tax losses	( 17,710)	( 11,667)
Effect from investment tax credits	( 22,931)	( 18,960)
Prior year income tax (over) underestimation	( 1,308)	4,972
Impact of change in tax rate	( 1,276)	-
Income tax expense	<u>\$ 270,089</u>	<u>\$ 121,328</u>

C. Amount of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

2018					
	Recognised in				
	January 1	Recognised in profit or loss	other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences					
Accrued warranty	\$ 2,670	\$ 1,637	\$ -	\$ -	\$ 4,307
Unrealised exchange loss	-	3,493	-	-	3,493
Unrealised gross profit	23,051	1,894	-	-	24,945
Allowance for uncollectible accounts	-	2,255	-	-	2,255
Allowance for inventory valuation losses	13,786	7,642	-	-	21,428
Provision for rework	603	485	-	-	1,088
Accrued pension liabilities	9,341	2,229	-	-	11,570
Unpaid annual leave	2,808	796	-	-	3,604
Others	82	79	-	-	161
	<u>52,341</u>	<u>20,510</u>	<u>-</u>	<u>-</u>	<u>72,851</u>
Deferred tax liabilities:					
Temporary differences					
Unrealised exchange gain	( 1,485)	1,485	-	-	-
Investment income	( 36,260)	( 37,551)	-	-	( 73,811)
Currency translation	( 2,718)	-	2,317	-	( 401)
Depreciation on the assets' estimated useful lives	- ( 7,032)	-	-	-	( 7,032)
Others	( 109)	( 1)	-	-	( 110)
	<u>( 40,572)</u>	<u>( 43,099)</u>	<u>2,317</u>	<u>-</u>	<u>( 81,354)</u>
	<u>\$ 11,769</u>	<u>(\$ 22,589)</u>	<u>\$ 2,317</u>	<u>\$ -</u>	<u>(\$ 8,503)</u>

2017					
	January 1	Recognised in other comprehensive income			December 31
		Recognised in profit or loss		Recognised in equity	
Deferred tax assets:					
Temporary differences					
Accrued warranty	\$ 2,773	(\$ 103)	\$ -	\$ -	\$ 2,670
Unrealised exchange loss	1,906	( 1,906)	-	-	-
Unrealised gross profit	18,165	4,886	-	-	23,051
Allowance for inventory valuation losses	13,646	140	-	-	13,786
Provision for rework	501	102	-	-	603
Accrued pension liabilities	9,229	112	-	-	9,341
Unpaid annual leave	3,815	( 1,007)	-	-	2,808
Others	65	17	-	-	82
Tax losses	2,474	( 2,474)	-	-	-
	<u>52,574</u>	<u>( 233)</u>	<u>-</u>	<u>-</u>	<u>52,341</u>
Deferred tax liabilities:					
Temporary differences					
Unrealised exchange gain	-	( 1,485)	-	-	( 1,485)
Investment income	( 32,979)	( 3,281)	-	-	( 36,260)
Currency translation	( 3,603)	-	885	-	( 2,718)
Others	( 107)	( 2)	-	-	( 109)
	<u>( 36,689)</u>	<u>( 4,768)</u>	<u>885</u>	<u>-</u>	<u>( 40,572)</u>
	<u>\$ 15,885</u>	<u>(\$ 5,001)</u>	<u>\$ 885</u>	<u>\$ -</u>	<u>\$ 11,769</u>

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

December 31, 2018			
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
2002~2016	\$ 50,918	\$ 50,918	Gradually expires during 2019~2035
December 31, 2017			
Year incurred	Unused amount	Unrecognised deferred tax assets	Expiry year
2002~2016	\$ 141,032	\$ 141,032	Gradually expires during 2018~2035

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

December 31,		
	2018	2017
Deductible temporary differences	\$ 979	\$ 16,621

F. The Company's income tax returns through 2016 have been assessed and approved by the Tax



Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(16) Earnings per share

	Year ended December 31, 2018		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,064,399	236,216	<u>\$ 4.51</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,320	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,064,399</u>	<u>237,536</u>	<u>\$ 4.48</u>

Year ended December 31, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 594,865	236,216	<u>\$ 2.52</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	811	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 594,865</u>	<u>237,027</u>	<u>\$ 2.51</u>

As employees' compensation could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock compensation issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect of stock compensation on potential common shares.

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

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

### (2) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	\$ 33,191	\$ 19,877
Post-employment benefits	472	377
	<u>\$ 33,663</u>	<u>\$ 20,254</u>

A. Salaries and other short-term employee benefits include regular wages, special responsibility allowances, various bonuses, service execution fees, directors' remuneration and employees' compensation, etc.

B. Post-employment benefits represents pension costs.

## 8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2018	December 31, 2017	
Property, plant and equipment			
— Land	\$ 388,990	\$ 388,990	Security for lines of credit
— Buildings	53,728	55,320	"
Time deposits (shown as 'other current assets')	3,072	2,976	Performance bond
	<u>\$ 445,790</u>	<u>\$ 447,286</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

None.

### (2) Commitments

As of December 31, 2018, the future aggregate lease payments for the lease of offices under operating lease agreements for the year ending December 31, 2019 amounted to \$13,436.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of earnings distribution proposed by the Board of Directors on February 27, 2019 are provided in Note 6(9)C.

## 12. OTHERS

### (1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31,	
	2018	2017
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,097,433	\$ 1,230,388
Notes receivable	59,069	48,819
Accounts receivable	2,067,488	1,662,196
Other receivables	27,180	24,015
Guarantee deposits paid	8,794	8,496
Other financial assets	3,072	2,976
	<u>\$ 3,263,036</u>	<u>\$ 2,976,890</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 26,898	\$ 42,998
Accounts payable	381,132	563,775
Other payable	308,338	224,338
	<u>\$ 716,368</u>	<u>\$ 831,111</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2018

				Sensitivity Analysis		
	Foreign currency		Book value	Degree of	Effect on profit	Effect on other
	amount	Exchange rate				
(Foreign currency: functional	(in thousands)		(NTD)			income
currency)						
Financial assets						
Monetary items						
USD:NTD	\$ 46,672	30.72	\$ 1,433,530	1%	\$ 14,335	\$ -
RMB:NTD	428,392	4.47	1,915,769	1%	19,158	-
EUR:NTD	334	35.20	11,750	1%	118	-
JPY:NTD	41,209	0.28	11,464		115	-
Non-monetary items						
USD:NTD	1,201	30.72	36,892	1%	-	369
EUR:NTD	718	35.20	25,279	1%	-	253
JPY:NTD	56,309	0.28	15,665	1%	-	157
MYR:NTD	1,463	7.11	10,405	1%	-	104
RMB:NTD	167,956	4.47	751,209	1%	-	7,512
Financial liabilities						
Monetary items						
USD:NTD	\$ 9,025	30.72	\$ 277,203	1%	\$ 2,772	\$ -
RMB:NTD	291,956	4.47	1,305,636	1%	13,056	-
EUR:NTD	590	35.20	20,784	1%	208	-

December 31, 2017

	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	Sensitivity Analysis					
					Degree of variation	Effect on profit of loss	Effect on other comprehensive income			
(Foreign currency: functional currency)										
<u>Financial assets</u>										
<u>Monetary items</u>										
USD:NTD	\$	47,081	29.76	\$	1,401,131	1%	\$	14,011	\$	-
RMB:NTD		252,794	4.57		1,154,005	1%		11,540		-
EUR:NTD		843	35.57		30,000	1%		300		-
<u>Non-monetary items</u>										
USD:NTD		1,043	29.76		31,038	1%		-		310
EUR:NTD		579	35.57		20,586	1%		-		206
JPY:NTD		31,692	0.26		8,128	1%		-		81
MYR:NTD		1,400	7.07		9,901	1%		-		99
RMB:NTD		111,627	4.57		576,418	1%		-		5,764
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD:NTD	\$	15,018	29.76	\$	446,936	1%	\$	4,469	\$	-
RMB:NTD		157,835	4.57		720,517	1%		7,205		-



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

Year ended December 31, 2018				
(Foreign currency: functional currency)	Foreign currency		Book value	
	amount			
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	30.72	\$ 9,129
RMB:NTD		-	4.47	( 30,156)
EUR:NTD		-	35.20	123
JPY:NTD		-	0.28	183
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	30.72	\$ 594
RMB:NTD		-	4.47	19,492
EUR:NTD		-	35.20	158
Year ended December 31, 2017				
(Foreign currency: functional currency)	Foreign currency		Book value	
	amount			
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	29.76	(\$ 19,852)
RMB:NTD		-	4.57	23,923
EUR:NTD		-	35.57	155
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	29.76	\$ 11,113
RMB:NTD		-	4.57	( 11,576)

#### Price risk

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

#### Cash flow and fair value interest rate risk

The Group has no borrowings; thus, the Group has no cash flow and fair value interest rate risk.

(b) Credit risk

Effective 2018

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group's credit risk management policy is that for banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 730 days.
- v. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the modified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the loss rate methodology is as follows:

Group A:

	Not past due	Less than 60 days past due	Between 61 and 90 days past due	Between 91 and 180 days past due	Between 181 and 365 days past due	Over 365 days past due	Total
<u>December 31, 2018</u>							
Expected loss rate	0.64%	1.50%	15%	25%	40%	60~100%	
Total book value	\$ 258,233	\$ 45,870	\$ 4,559	\$ 4,009	\$ 19,384	\$ 8,200	\$ 340,255
Loss allowance	1,647	688	684	1,002	7,754	4,920	16,695

Group B:

	Not past due	Less than 60 days past due	Between 61 and 90 days past due	Between 91 and 180 days past due	Between 181 and 365 days past due	Over 365 days past due	Total
<u>December 31, 2018</u>							
Expected loss rate	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	
Total book value	\$1,433,015	\$ 213,556	\$ 56,100	\$ 30,682	\$ 10,225	\$ 11,538	\$ 1,755,116
Loss allowance	9,135	1,361	358	196	65	73	11,188

Group A: Clients that are excluded from Group B.

Group B: Clients that have good operating conditions, degree of financial transparency and are approved by the Group's credit control supervisors.

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Year ended December 31, 2018
At January 1_IAS 39 (January 1_IFRS 9)	\$ 16,410
Provision for impairment	14,649
Write-offs	( 2,332)
Effect of foreign exchange	( 844)
At December 31	<u>\$ 27,883</u>

viii. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed and aggregated by the Group treasury. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2018</u>				
Notes payable	\$ 26,898	\$ -	\$ -	\$ -
Accounts payable	381,132	-	-	-
Other payables	308,338	-	-	-
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>December 31, 2017</u>				
Notes payable	\$ 42,998	\$ -	\$ -	\$ -
Accounts payable	563,775	-	-	-
Other payables	224,338	-	-	-

(3) Fair value information

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

(4) Effects on initial application of IFRS 9 endorsed by the FSC effective from 2018 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

(a) Notes receivable, accounts receivable and other receivables

Notes receivable and accounts receivable are receivables from selling merchandises or providing services to customers in the ordinary course of business. Other receivables are receivables that are not notes and accounts receivable. Accounts receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (i) Significant financial difficulty of the debtor;
  - (ii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (iv) The disappearance of an active market for that financial asset because of financial difficulties;
  - (v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, on financial assets measured at amortised cost the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's

original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. Credit risk information as of and for the year ended December 31, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The Group has strict credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Group's credit rights and thereby mitigate credit risk. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality information of accounts receivable that were neither past due nor impaired is as follows:

	<u>December 31, 2017</u>
Group 1	\$ 535,770
Group 2	<u>576,763</u>
	<u>\$ 1,112,533</u>

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

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

- (d) The information with respect to ageing analysis of accounts receivable that were past due is described in Note 6(2).
- (e) Movements in the provision for impairment of accounts receivable for the year ended December 2017 are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 11,396	\$ 11,396
Provision for impairment	-	5,405	5,405
Write-offs during the year	- (	326)	( 326)
Effect of foreign exchange	- (	65)	( 65)
At December 31	\$ -	\$ 16,410	\$ 16,410

(5) Effects on initial application of IFRS 15 endorsed by the FSC effective from 2018 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

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

(b) Sales of services

The Group provides repair and maintenance services of automated inspection and testing equipment and the revenues are recognised when the services are rendered.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales revenue	\$ 3,497,450
Service revenue	103,708
	<u>\$ 3,601,158</u>

C. If the Group continues adopting above accounting policies in 2018, the amounts of current contract liabilities and other current liabilities will be both reduced and increased by \$39,634 in

the current balance sheet, respectively. There is no effect on separate line items in the comprehensive income statement.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

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

### 14. SEGMENT INFORMATION

#### (1) General information

The Group is primarily engaged in the design, assembly, manufacture, sales, repairs and maintenance of automated inspection and testing equipment. The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

#### (2) Measurement of segment information

The accounting policies of the operating segments and the Group are the same. The Group uses the

operating profit as the measurement for operating segment profit and the basis of performance assessment.

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

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

	Years ended December 31,	
	2018	2017
Revenue from external customers	\$ 4,919,426	\$ 3,601,158
Segment profit	\$ 1,269,751	\$ 757,682

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

(4) Reconciliation for segment income (loss)

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

	Years ended December 31,	
	2018	2017
Reportable segments income	\$ 1,269,751	\$ 757,682
Unallocated profit or loss:		
Non-operating income and expenses	64,737	( 41,489)
Income before tax from continuing operations	\$ 1,334,488	\$ 716,193

(5) Information on products and services

Revenue from external customers is mainly from the design, assembling, manufacture, sales, repairs and maintenance of automated inspection and testing equipment.

Details of revenue is as follows:

	Years ended December 31,	
	2018	2017
Sales revenue	\$ 4,818,291	\$ 3,497,450
Service revenue	101,135	103,708
	\$ 4,919,426	\$ 3,601,158

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:



	Years ended December 31,			
	2018		2017	
	Non-current		Non-current	
	Revenue	assets	Revenue	assets
Taiwan	\$ 527,380	\$ 2,031,112	\$ 424,813	\$ 2,028,408
China	3,447,710	144,486	2,428,733	144,813
USA	77,272	274	101,056	462
Italy	115,494	-	83,259	-
Ireland	231,260	-	37,029	-
Others	520,310	513	526,268	981
	<u>\$ 4,919,426</u>	<u>\$ 2,176,385</u>	<u>\$ 3,601,158</u>	<u>\$ 2,174,664</u>

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

(7) Major customer information

Sales to customers constituting more than 10% of the Group's total sales revenue in consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017 is as follows:

Customer	Years ended December 31,	
	2018	2017
	Revenue	Revenue
Company G	\$ 547,099	\$ 362,456

Test Research, Inc. and Subsidiaries

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2018	December 31, 2018	drawn down						Item	Value			
1	TRI Electronic (Shenzhen) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	\$ 23,430	\$ 22,360	\$ 22,360	4.75%	Short-term financing	\$ -	Additional operating capital	\$ -	None	\$ -	\$534,847 (Note 1)	\$1,069,694 (Note 1)	-
2	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	\$ 28,116	\$ 26,832	\$ 26,832	4.75%	Short-term financing	\$ -	For repayment of borrowings	\$ -	None	\$ -	\$534,847 (Note 2)	\$1,069,694 (Note 2)	-

Note 1: The Board of Directors resolved to amend TRI Electronic (Shenzhen) Limited's policy "Procedures for Provision of Loans" and the policy is as follows:

Ceiling on total loans to others: 50% of the Company's net worth. If for short-term financing purpose, the ceiling on loans shall not exceed 40% of the Company's net worth. Limit to a single party is RMB 10 million. In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders during their meeting, limit on loans for financing granted by and to subsidiaries of which the ultimate parent directly or indirectly holds 100% of its voting shares shall not exceed 20% of parent company's net worth. Ceiling to the aforementioned single party shall not exceed 10% of parent company's net worth.

Note 2: The Board of Directors resolved to amend TRI Electronic (Shanghai) Limited's policy "Procedures for Provision of Loans" and the policy is as follows:

Ceiling on total loans to others: 50% of the Company's net worth. If for short-term financing purpose, the ceiling on loans shall not exceed 40% of the Company's net worth. Limit to a single party is RMB 4 million. In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders during their meeting, limit on loans for financing granted by and to subsidiaries of which the ultimate parent directly or indirectly holds 100% of its voting shares shall not exceed 20% of parent company's net worth. Ceiling to the aforementioned single party shall not exceed 10% of parent company's net worth.

Test Research, Inc. and Subsidiaries  
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more  
Year ended December 31, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transactions			Differences in transaction term compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Test Research, Inc.	DOLI TRADING LIMITED	Subsidiary	Sales	\$ 2,762,361	63%	The collection terms are 90-120 days after acceptance, and are similar to third parties	If the purchases from TRI will be resold to the indirect 100% owned companies of TRI, the price is 40%-70% of standard prices; otherwise, the price is 91% of final sales price.	The collection terms are 90-120 days after acceptance, and are similar to third parties	Accounts receivable \$651,599 Other receivables \$678,458	34% 35%	None None
DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	Same ultimate parent company	Sales	273,053	9%	The collection terms are 90-120 days after acceptance, and are similar to third parties	The price is 40%-70% of standard prices.	The collection terms are 90-120 days after acceptance, and are similar to third parties	Accounts receivable \$ 88,089	6%	None
DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	Same ultimate parent company	Sales	639,751	21%	The collection terms are 90-120 days after acceptance, and are similar to third parties	The price is 40%-70% of standard prices.	The collection terms are 90-120 days after acceptance and are similar to third parties	Accounts receivable \$264,236 Other receivables \$373,389	19% 27%	None None
TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Service revenue	195,432	77%	The collection terms are 90-120 days after acceptance, and are similar to third parties	Based on agency contracts and agreed conditions.	The collection terms are 90-120 days after acceptance and are similar to third parties	Accounts payable \$143,642	36%	None
DOLI TRADING LIMITED	Test Research, Inc.	Parent company	Purchases	2,762,361	100%	The payment terms are 90-120 days after acceptance	The price is determined by TRI	The payment terms are 90-120 days after acceptance	Accounts payable \$1,330,057	100%	None
TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Purchases	273,053	93%	The payment terms are 90-120 days after acceptance	The price is determined by TRI	The payment terms are 90-120 days after acceptance	Accounts payable \$ 88,089	92%	None
TRI Electronic (Suzhou) Limited	DOLI TRADING LIMITED	Same ultimate parent company	Purchases	639,751	99%	The payment terms are 90-120 days after acceptance	The price is determined by TRI	The payment terms are 90-120 days after acceptance	Accounts payable \$637,625	99%	None

Test Research, Inc. and Subsidiaries  
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
December 31, 2018

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note)	Allowance for doubtful accounts
					Amount	Action taken		
Test Research, Inc.	DOLI TRADING LIMITED	Subsidiary	\$ 1,330,057	2.33	\$ 678,458	In the collection	\$ 401,666	\$ -
DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	Same ultimate parent company	637,625	1.46	373,389	In the collection	75,263	-
TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	Same ultimate parent company	143,642	-	23,846	In the collection	114,493	-

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

Test Research, Inc. and Subsidiaries  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2018

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount (Note 4)	Transaction terms	
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Sales revenue	\$ 2,762,361	Note 3	56
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	Sales revenue	28,598	Note 8	1
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Accounts receivable	651,599	Note 3	10
0	Test Research, Inc.	DOLI TRADING LIMITED	1	Other receivables	678,458	Note 3	10
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	3	Sales revenue	273,053	Note 3	6
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Sales revenue	639,751	Note 3	13
1	DOLI TRADING LIMITED	TRI Electronic (Shenzhen) Limited	3	Accounts receivable	88,089	Note 3	1
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Accounts receivable	264,236	Note 3	4
1	DOLI TRADING LIMITED	TRI Electronic (Suzhou) Limited	3	Other receivables	373,389	Note 3	6
2	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Service revenue	19,489	Note 6 and 7	-
2	TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	3	Service revenue	195,432	Note 6 and 7	4
2	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Accounts receivable	18,718	Note 6 and 7	-
2	TRI Electronic (Shenzhen) Limited	DOLI TRADING LIMITED	3	Accounts receivable	143,642	Note 6 and 7	2
2	TRI Electronic (Shenzhen) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	22,360	Note 5	-
3	TRI Electronic (Suzhou) Limited	Test Research, Inc.	2	Service revenue	17,765	Note 6 and 7	-
3	TRI Electronic (Suzhou) Limited	DOLI TRADING LIMITED	3	Service revenue	87,225	Note 6 and 7	2
4	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	3	Service revenue	18,202	Note 6 and 7	-
4	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	26,832	Note 5	-
5	TRI TEST RESEARCH EUROPE GMBH	Test Research, Inc.	2	Service revenue	43,371	Note 6	1
6	TEST RESEARCH USA, INC.	Test Research, Inc.	2	Service revenue	38,302	Note 6	1
7	TRI JAPAN CORPORATION	Test Research, Inc.	2	Service revenue	21,214	Note 6	-

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The purchases from the Company will be resold to the indirect 100% owned companies of TRI, and the price is 40%-70% of standard prices; otherwise, the price is 91% of final sales price. The collection terms are 90-120 days after acceptance and are similar to third parties.

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

Note 5: Loans to others.

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

Note 7: Commission revenue was based on agency contract, others were based on agreed conditions.

Note 8: Transaction items follow the agreement.

Test Research, Inc. and Subsidiaries  
Information on investees  
Year ended December 31, 2018

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Test Research, Inc.	TRI INVESTMENTS LIMITED	Samoa	Investment holdings	\$ 219,811	\$ 219,811	6,724,109	100	\$ 669,350	\$ 171,935	\$ 171,768	None
Test Research, Inc.	DOLI TRADING LIMITED	British Virgin Islands	Trading	131,973	131,973	801	100	( 24,533)	( 31,297)	( 33,072)	Note 2
Test Research, Inc.	TEST RESEARCH USA, INC.	United States	Trading	61,299	61,299	1,518,935	100	36,892	4,763	4,763	None
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	Germany	Trading	17,679	17,679	-	100	25,279	4,965	4,965	Note 1
Test Research, Inc.	TRI JAPAN CORPORATION	Japan	Trading	10,750	10,750	720	100	15,594	6,720	6,720	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	2,066	2,066	1,000,000	100	10,405	453	453	None

Note 1: A limited liability company.

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

Test Research, Inc. and Subsidiaries  
Information on investments in Mainland China - Basic information  
Year ended December 31, 2018

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company for the year ended December 31, 2018 (Note 2(2)B.)	Book value of investments in Mainland China as of December 31, 2018 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Foot note
					Remitted to Mainland China	Remitted back to Taiwan							
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	\$ 93,696	2	\$ 23,040	\$ -	\$ -	\$ 23,040	\$ 83,808	100	\$ 83,808	\$ 580,425	\$ -	
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	79,531	2	61,440	-	-	61,440	75,500	100	75,500	95,178	-	
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	119,808	2	119,808	-	-	119,808	12,663	100	12,663	75,606	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
Test Research, Inc.	\$ 204,288	\$ 273,835	\$ 3,209,081

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column:

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

Note 3: The amount was originally denominated in USD and was translated to NTD at the exchange rate (1:30.72) prevailing at the balance sheet date.

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

Note 5: Including net changes of realised and unrealised profit from sales.



Test Research, Inc. and Subsidiaries  
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
Year ended December 31, 2018

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others (Note)
TRI Electronic (Shenzhen) Limited	\$ 278,309	6	\$ -	-	\$ 88,089	1	\$ -	-	\$ -	\$ -	-	\$ -	\$ 214,921
TRI Electronic (Suzhou) Limited	649,469	13	-	-	644,930	10	-	-	-	-	-	-	104,990

Note: Including commission and assembling and warranty expenses.