

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**SEPTEMBER 30, 2020 AND 2019**

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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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR 20001828

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

***Introduction***

We have reviewed the accompanying consolidated balance sheets of Test Research, Inc. and subsidiaries (the "Group") as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

***Scope of Review***

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Basis for Qualified Conclusion***

As explained in Note 4(3), the financial statements of insignificant consolidated subsidiaries were not reviewed by independent auditors. Those statements reflect total assets of NT\$1,308,428 thousand and NT\$1,481,917 thousand, constituting 19% and 23% of the consolidated total assets, and total liabilities of NT\$107,170 thousand and NT\$137,957 thousand, constituting 8% and 11% of the consolidated total liabilities as at September 30, 2020 and 2019, respectively, and total comprehensive income of NT\$24,987 thousand, NT\$28,292 thousand, NT\$72,517 thousand and NT\$54,581 thousand, constituting 8%, 15%, 8% and 8% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.



資誠

### *Qualified Conclusion*

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of insignificant consolidated subsidiaries been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

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Pan, Hui-Lin

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Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

November 4, 2020

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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 independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019  
 (Expressed in thousands of New Taiwan dollars)  
 (The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

	Assets	Notes	September 30, 2020	December 31, 2019	September 30, 2019
	<b>Current assets</b>				
1100	Cash and cash equivalents	6(1)	\$ 976,932	\$ 1,300,530	\$ 965,209
1136	Current financial assets at	6(2)			
	amortised cost		228,053	204,777	206,899
1150	Notes receivable, net	6(3)	68,880	25,343	20,221
1170	Accounts receivable, net	6(3)	2,352,906	1,934,508	2,074,825
1200	Other receivables		25,389	21,016	18,940
130X	Inventories	6(4)	987,529	738,433	823,355
1470	Other current assets	8	24,990	39,434	50,350
11XX	<b>Total current assets</b>		<u>4,664,679</u>	<u>4,264,041</u>	<u>4,159,799</u>
	<b>Non-current assets</b>				
1600	Property, plant and	6(5) and 8			
	equipment		2,134,563	2,135,082	2,146,091
1755	Right-of-use assets	6(6)	48,630	61,824	68,969
1780	Intangible assets		19,111	20,237	20,861
1840	Deferred income tax assets		77,570	76,260	66,538
1900	Other non-current assets		10,357	11,591	10,356
15XX	<b>Total non-current</b>				
	<b>assets</b>		<u>2,290,231</u>	<u>2,304,994</u>	<u>2,312,815</u>
1XXX	<b>Total assets</b>		<u>\$ 6,954,910</u>	<u>\$ 6,569,035</u>	<u>\$ 6,472,614</u>

(Continued)

**TEST RESEARCH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2020	December 31, 2019	September 30, 2019
	<b>Current liabilities</b>				
2130	Contract liabilities - current	6(12)	\$ 22,289	\$ 48,694	\$ 24,526
2150	Notes payable		24,276	26,398	24,292
2170	Accounts payable		671,774	455,746	527,564
2200	Other payables	6(7)	266,154	276,615	259,239
2230	Current income tax liabilities		142,419	109,836	176,726
2280	Current lease liabilities		19,556	20,582	21,550
2300	Other current liabilities		6,807	8,943	8,938
21XX	<b>Total current liabilities</b>		<u>1,153,275</u>	<u>946,814</u>	<u>1,042,835</u>
	<b>Non-current liabilities</b>				
2550	Provisions for liabilities - non-current		42,306	35,298	32,358
2570	Deferred income tax liabilities		121,510	102,193	102,115
2580	Non-current lease liabilities		28,333	40,940	47,105
2600	Other non-current liabilities	6(8)	59,947	61,358	57,001
25XX	<b>Total non-current liabilities</b>		<u>252,096</u>	<u>239,789</u>	<u>238,579</u>
2XXX	<b>Total liabilities</b>		<u>1,405,371</u>	<u>1,186,603</u>	<u>1,281,414</u>
	<b>Equity attributable to owners of the parent</b>				
	Share capital	6(9)			
3110	Common stock		2,362,160	2,362,160	2,362,160
	Capital surplus	6(10)			
3200	Capital surplus		53,290	53,290	53,290
	Retained earnings	6(11)			
3310	Legal reserve		1,306,390	1,213,046	1,213,046
3320	Special reserve		67,270	41,795	41,795
3350	Unappropriated retained earnings		1,834,447	1,779,411	1,580,581
	Other equity interest				
3400	Other equity interest		( 74,018 )	( 67,270 )	( 59,672 )
31XX	<b>Equity attributable to owners of the parent</b>		<u>5,549,539</u>	<u>5,382,432</u>	<u>5,191,200</u>
3XXX	<b>Total equity</b>		<u>5,549,539</u>	<u>5,382,432</u>	<u>5,191,200</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,954,910</u>	<u>\$ 6,569,035</u>	<u>\$ 6,472,614</u>

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



TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)  
(UNAUDITED)

	Items	Notes	Three months ended September 30		Nine months ended September 30	
			2020	2019	2020	2019
4000	Sales revenue		\$ 1,358,567	\$ 1,042,428	\$ 4,008,172	\$ 3,238,519
5000	Operating costs	6(12)	( 614,088)	( 442,259)	( 1,799,562)	( 1,395,390)
5950	Gross margin	6(4)(15)(16)	<u>744,479</u>	<u>600,169</u>	<u>2,208,610</u>	<u>1,843,129</u>
	Operating expenses	6(15)(16)				
6100	Selling expenses		( 199,807)	( 164,545)	( 547,865)	( 534,800)
6200	General and administrative expenses		( 37,385)	( 35,290)	( 117,196)	( 110,790)
6300	Research and development expenses		( 85,529)	( 113,531)	( 298,883)	( 305,033)
6450	Expected credit impairment gain (loss)	12(2)	( 2,690)	189	( 6,928)	15,139
6000	Total operating expenses		<u>( 325,411)</u>	<u>( 313,177)</u>	<u>( 970,872)</u>	<u>( 935,484)</u>
6900	Operating profit		<u>419,068</u>	<u>286,992</u>	<u>1,237,738</u>	<u>907,645</u>
	Non-operating income and expenses					
7100	Interest income		1,512	1,455	5,825	5,914
7010	Other income	6(13)	4,208	14,917	14,047	39,531
7020	Other gains and losses	6(14)	( 26,573)	( 38,917)	( 55,577)	( 36,764)
7050	Finance costs	6(6)	( 378)	( 693)	( 979)	( 1,007)
7000	Total non-operating income and expenses		<u>( 21,231)</u>	<u>( 23,238)</u>	<u>( 36,684)</u>	<u>( 7,674)</u>
7900	<b>Profit before income tax</b>		<u>397,837</u>	<u>263,754</u>	<u>1,201,054</u>	<u>915,319</u>
7950	Income tax expense	6(17)	( 86,747)	( 49,580)	( 247,686)	( 180,712)
8200	<b>Profit for the period</b>		<u>\$ 311,090</u>	<u>\$ 214,174</u>	<u>\$ 953,368</u>	<u>\$ 734,607</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		\$ 14,533	\$ 31,589	\$ 8,435	\$ 22,346
8399	Income tax relating to the components of other comprehensive income (loss) that will be reclassified to profit or loss	6(17)	( 2,907)	6,318	1,687	4,469
8300	<b>Total other comprehensive income (loss) for the period</b>		<u>\$ 11,626</u>	<u>\$ 25,271</u>	<u>\$ 6,748</u>	<u>\$ 17,877</u>
8500	<b>Total comprehensive income for the period</b>		<u>\$ 322,716</u>	<u>\$ 188,903</u>	<u>\$ 946,620</u>	<u>\$ 716,730</u>
	Profit attributable to:					
8610	Owners of the parent		\$ 311,090	\$ 214,174	\$ 953,368	\$ 734,607
8710	Owners of the parent		\$ 322,716	\$ 188,903	\$ 946,620	\$ 716,730
	Earnings per share (in dollars)	6(18)				
9750	Basic earnings per share		\$ 1.32	\$ 0.91	\$ 4.04	\$ 3.11
9850	Diluted earnings per share		\$ 1.32	\$ 0.91	\$ 4.03	\$ 3.10

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Equity attributable to owners of the parent						
	Capital Reserves			Retained Earnings		Other Equity Interest	
	Share capital - common stock	Total capital surplus, additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations
Notes							Total equity
<u>Nine months ended September 30, 2019</u>							
Balance at January 1, 2019	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,106,607	\$ 30,123	\$ 1,838,084	\$ 5,348,469
Profit for the period	-	-	-	-	-	734,607	734,607
Other comprehensive loss for the period	-	-	-	-	-	-	( 17,877 )
Total comprehensive income (loss)	-	-	-	-	-	734,607	( 17,877 )
Appropriations of 2018 earnings	-	-	-	-	-	-	716,730
Legal reserve	-	-	-	106,439	-	( 106,439 )	-
Special reserve	-	-	-	-	11,672	( 11,672 )	-
Cash dividends	-	-	-	-	-	( 873,999 )	( 873,999 )
Balance at September 30, 2019	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,213,046	\$ 41,795	\$ 1,580,581	\$ 5,191,200
<u>Nine months ended September 30, 2020</u>							
Balance at January 1, 2020	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,213,046	\$ 41,795	\$ 1,779,411	\$ 5,382,432
Profit for the period	-	-	-	-	-	953,368	953,368
Other comprehensive loss for the period	-	-	-	-	-	-	( 6,748 )
Total comprehensive income (loss)	-	-	-	-	-	953,368	946,620
Appropriations of 2019 earnings	-	-	-	-	-	-	-
Legal reserve	-	-	-	93,344	-	( 93,344 )	-
Special reserve	-	-	-	-	25,475	( 25,475 )	-
Cash dividends	-	-	-	-	-	( 779,513 )	( 779,513 )
Balance at September 30, 2020	\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,306,390	\$ 67,270	\$ 1,834,447	\$ 5,549,539

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

TEST RESEARCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	Nine months ended September 30 2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,201,054	\$ 915,319
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	85,483	86,611
Amortisation	6(15)	8,985	7,549
Expected credit impairment loss (gain)	12(2)	6,928	(15,139)
Interest income		(5,825)	(5,914)
Interest expense		979	1,007
Gain on disposal of property, plant and equipment	6(14)	(3,849)	(3,389)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(43,537)	38,848
Accounts receivable		(425,326)	7,802
Other receivables		(4,993)	9,351
Inventories		(302,426)	48,580
Other current assets		11,904	(4,164)
Changes in operating liabilities			
Contract liabilities - current		(26,405)	(15,108)
Notes payable		(2,122)	(2,606)
Accounts payable		216,028	146,432
Other payables		(10,461)	(49,099)
Other current liabilities		(2,136)	745
Provisions for liabilities - non-current		7,008	5,386
Other non-current liabilities		(1,411)	(851)
Cash inflow generated from operations		709,878	1,171,360
Interest received		6,445	4,803
Interest paid		(979)	(1,007)
Income taxes paid		(195,409)	(170,835)
Net cash flows from operating activities		519,935	1,004,321
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at amortised cost		(23,276)	(206,899)
Decrease (increase) in other current financial assets		2,998	32
Acquisition of property, plant and equipment	6(5)	(23,819)	(29,790)
Proceeds from disposal of property, plant and equipment		14,351	13,044
Acquisition of intangible assets		(7,855)	(11,690)
Acquisition of right-of-use assets		-	(143)
Decrease (increase) in refundable deposits		1,234	(1,097)
Decrease in other non-current assets		-	(436)
Net cash flows used in investing activities		(36,367)	(237,043)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Lease principal repayment		(20,815)	(17,842)
Payment of cash dividends	6(11)	(779,513)	(873,999)
Net cash flows used in financing activities		(800,328)	(891,841)
Effect due to changes in exchange rate		(6,838)	(7,661)
Net decrease in cash and cash equivalents		(323,598)	(132,224)
Cash and cash equivalents at beginning of period		1,300,530	1,097,433
Cash and cash equivalents at end of period		\$ 976,932	\$ 965,209

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



TEST RESEARCH, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(UNAUDITED)

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, assembly, 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 reported to the Board of Directors on November 4, 2020.

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 2020 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 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	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.

(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 IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	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 adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "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.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the consolidated financial statements for the year ended December 31, 2019.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			September 30, 2020	December 31, 2019	
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	-

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			September 30, 2020	December 31, 2019	
Test Research, Inc.	TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM)	Trading	100	100	-
Test Research, Inc.	TRI KOREA CO., LTD. (TRK)	Trading	100	-	Note 1
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	-

Note 1: TRI KOREA CO., LTD. (TRK) was established on January 17, 2020.

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			September 30, 2019		
Test Research, Inc.	DOLI TRADING LIMITED (DOLI)	Trading	100		-
Test Research, Inc.	TEST RESEARCH USA INC. (TRU)	Trading	100		-
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH (TRE)	Trading	100		-
Test Research, Inc.	TRI JAPAN CORPORATION (TRJ)	Trading	100		-
Test Research, Inc.	TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM)	Trading	100		-
Test Research, Inc.	TRI INVESTMENTS LIMITED (TIL)	Investment holdings	100		-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shenzhen) Limited (TRI (SHENZHEN))	Manufacture and sales of test equipment	100		-

Name of investor	Name of subsidiary	Main business activities	% of Ownership	
			September 30, 2019	Description
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Suzhou) Limited (TRI (SUZHOU))	Manufacture and sales of test equipment	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	-

Except for the financial statements of DOLI as of and for the nine months ended September 30, 2019 which were reviewed by the Company's independent auditors, the financial statements of the abovementioned subsidiaries included in the Group's consolidated financial statements for the nine months ended September 30, 2020 and 2019 were not reviewed by independent auditors as these subsidiaries did not meet the definition of significant subsidiaries.

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) Leasing arrangements (lessor) — lease receivables/operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(5) Income tax

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(6) Employee benefits

Under the defined benefit plans, pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

## 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

The Group's 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 a certain age 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. As evaluation of inventories usually involves subjective judgment and a high degree of estimation uncertainty, there may be material changes to the evaluation.

As of September 30, 2020, the carrying amount of inventories was \$987,529.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 1,261	\$ 1,202	\$ 1,263
Checking accounts and demand deposits	667,679	996,972	891,574
Time deposits	-	122,356	2,372
Short-term notes and bills	307,992	180,000	70,000
	<u>\$ 976,932</u>	<u>\$ 1,300,530</u>	<u>\$ 965,209</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) Financial assets at amortised cost

Current items:	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Time deposits maturing over three months	<u>\$ 228,053</u>	<u>\$ 204,777</u>	<u>\$ 206,899</u>

Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Notes and accounts receivable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes receivable	<u>\$ 68,880</u>	<u>\$ 25,343</u>	<u>\$ 20,221</u>
Accounts receivable	\$ 2,367,051	\$ 1,941,765	\$ 2,087,343
Less: Allowance for uncollectible accounts	( <u>14,145</u> )	( <u>7,257</u> )	( <u>12,518</u> )
	<u>\$ 2,352,906</u>	<u>\$ 1,934,508</u>	<u>\$ 2,074,825</u>

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

	<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 2,093,479	\$ 68,880	\$ 1,742,504	\$ 25,343	\$ 1,813,540	\$ 20,221
Past due						
Up to 60 days	171,405	-	132,048	-	129,601	-
61 to 90 days	67,112	-	17,213	-	64,689	-
91 to 180 days	22,447	-	34,628	-	47,163	-
181 to 365 days	4,667	-	7,576	-	21,717	-
Over 365 days	<u>7,941</u>	<u>-</u>	<u>7,796</u>	<u>-</u>	<u>10,633</u>	<u>-</u>
	<u>\$ 2,367,051</u>	<u>\$ 68,880</u>	<u>\$ 1,941,765</u>	<u>\$ 25,343</u>	<u>\$ 2,087,343</u>	<u>\$ 20,221</u>

The above ageing analysis was based on past due date.

- B. As at September 30, 2020, December 31, 2019 and September 30, 2019, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$2,126,557.
- C. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 receivable were \$68,880, \$25,343 and \$20,221, and accounts receivable were \$2,352,906, \$1,934,508 and \$2,074,825, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

September 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 952,074	(\$ 116,628)	\$ 835,446
Work in progress	110,696	( 408)	110,288
Finished goods	8,064	( 28)	8,036
Merchandise	36,642	( 2,883)	33,759
	<u>\$ 1,107,476</u>	<u>(\$ 119,947)</u>	<u>\$ 987,529</u>
December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 753,534	(\$ 97,696)	\$ 655,838
Work in progress	63,829	( 108)	63,721
Finished goods	4,146	-	4,146
Merchandise	18,152	( 3,424)	14,728
	<u>\$ 839,661</u>	<u>(\$ 101,228)</u>	<u>\$ 738,433</u>
September 30, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 763,013	(\$ 91,432)	\$ 671,581
Work in progress	124,378	( 326)	124,052
Finished goods	3,716	-	3,716
Merchandise	27,453	( 3,447)	24,006
	<u>\$ 918,560</u>	<u>(\$ 95,205)</u>	<u>\$ 823,355</u>

The cost of inventories recognised as expense for the period:

Three months ended September 30		
	2020	2019
Cost of goods sold	\$ 597,438	\$ 443,562
Loss on slow-moving inventories	13,988	2,961
	<u>\$ 611,426</u>	<u>\$ 446,523</u>
Nine months ended September 30		
	2020	2019
Cost of goods sold	\$ 1,748,083	\$ 1,361,051
Loss on obsolete inventory	28,688	9,601
	<u>\$ 1,776,771</u>	<u>\$ 1,370,652</u>

(5) Property, plant and equipment

	2020						
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
At January 1							
Cost	\$ 1,166,021	\$ 921,538	\$ 372,789	\$ 5,789	\$ 229,006	\$ 154,883	\$ 2,850,026
Accumulated depreciation	-	( 231,592)	( 226,871)	( 3,643)	( 141,942)	( 110,896)	( 714,944)
	<u>\$ 1,166,021</u>	<u>\$ 689,946</u>	<u>\$ 145,918</u>	<u>\$ 2,146</u>	<u>\$ 87,064</u>	<u>\$ 43,987</u>	<u>\$ 2,135,082</u>
Opening net book							
amount as at January 1	\$ 1,166,021	\$ 689,946	\$ 145,918	\$ 2,146	\$ 87,064	\$ 43,987	\$ 2,135,082
Additions	-	-	12,957	1,319	6,037	3,506	23,819
Transfers from inventories	-	-	34,631	-	11,243	7,456	53,330
Disposals	-	-	( 9,837)	( 103)	( 380)	( 182)	( 10,502)
Depreciation charge	-	( 13,578)	( 17,602)	( 400)	( 22,581)	( 11,359)	( 65,520)
Net exchange differences	-	-	( 1,605)	( 6)	( 19)	( 16)	( 1,646)
Closing net book							
amount as at September 30	<u>\$ 1,166,021</u>	<u>\$ 676,368</u>	<u>\$ 164,462</u>	<u>\$ 2,956</u>	<u>\$ 81,364</u>	<u>\$ 43,392</u>	<u>\$ 2,134,563</u>
At September 30							
Cost	\$ 1,166,021	\$ 921,538	\$ 395,430	\$ 6,004	\$ 234,513	\$ 160,684	\$ 2,884,190
Accumulated depreciation	-	( 245,170)	( 230,968)	( 3,048)	( 153,149)	( 117,292)	( 749,627)
	<u>\$ 1,166,021</u>	<u>\$ 676,368</u>	<u>\$ 164,462</u>	<u>\$ 2,956</u>	<u>\$ 81,364</u>	<u>\$ 43,392</u>	<u>\$ 2,134,563</u>

2019

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Total
<u>At January 1</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>
Opening net book amount as at January 1	\$ 1,166,021	\$ 708,050	\$ 152,797	\$ 2,046	\$ 94,700	\$ 36,034	\$ 2,159,648
Additions	-	-	12,532	935	3,584	12,739	29,790
Transfers from inventories	-	-	16,823	-	20,219	3,793	40,835
Disposals	-	-	( 8,834)	( 76)	( 619)	( 126)	( 9,655)
Depreciation charge	-	( 13,579)	( 21,282)	( 547)	( 22,601)	( 10,760)	( 68,769)
Net exchange differences	-	-	( 4,595)	( 67)	( 1,120)	24	( 5,758)
Closing net book amount as at September 30	<u>\$ 1,166,021</u>	<u>\$ 694,471</u>	<u>\$ 147,441</u>	<u>\$ 2,291</u>	<u>\$ 94,163</u>	<u>\$ 41,704</u>	<u>\$ 2,146,091</u>
<u>At September 30</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 377,212	\$ 5,853	\$ 229,955	\$ 148,864	\$ 2,849,443
Accumulated depreciation	-	( 227,067)	( 229,771)	( 3,562)	( 135,792)	( 107,160)	( 703,352)
	<u>\$ 1,166,021</u>	<u>\$ 694,471</u>	<u>\$ 147,441</u>	<u>\$ 2,291</u>	<u>\$ 94,163</u>	<u>\$ 41,704</u>	<u>\$ 2,146,091</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.

(6) Leasing arrangements — lessee

- A. The Group leases offices and rental contracts are typically made for periods from 2019 to 2025. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets shall not be used as security for borrowing purposes.
- B. Short-term leases pertain to leases of dormitories and company cars with a lease term of not more than 12 months.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 48,630</u>	<u>\$ 61,824</u>	<u>\$ 68,969</u>
Three months ended September 30			
	<u>2020</u>	<u>2019</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 7,241</u>	<u>\$ 6,741</u>	
Nine months ended September 30			
	<u>2020</u>	<u>2019</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	<u>\$ 19,963</u>	<u>\$ 17,842</u>	

- D. For the nine months ended September 30, 2020 and 2019, the additions to right-of-use assets were \$6,096 and \$143, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 378</u>	<u>\$ 693</u>
Expense on short-term lease contracts	<u>\$ 3,429</u>	<u>\$ 2,318</u>
Nine months ended September 30		
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 979</u>	<u>\$ 1,007</u>
Expense on short-term lease contracts	<u>\$ 6,398</u>	<u>\$ 8,534</u>

- F. For the three months and nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases were \$11,096, \$10,930, \$28,192 and \$28,704, respectively.

(7) Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Salaries and bonus payable	\$ 165,094	\$ 171,933	\$ 157,915
Employees' compensation and directors' remuneration payable	29,079	27,862	21,626
Others	71,981	76,820	79,698
	<u>\$ 266,154</u>	<u>\$ 276,615</u>	<u>\$ 259,239</u>

(8) Pensions

A. Defined benefit plan

- (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) For the aforementioned pension plan, the Group recognised pension costs of \$111, \$134, \$332 and \$400 for the three months and nine months ended September 30, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$2,323.

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) Other overseas subsidiaries contribute to the statutory pension insurance or pension fund for their employees based on their wages and salaries in compliance with local laws and regulations. Other than the monthly contributions, the entities have no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2020 and 2019 were \$6,692, \$6,170, \$19,584 and \$18,193, respectively.

(9) Share capital

The Company's authorised capital was \$2,500,000. As of September 30, 2020, the Company's issued and outstanding capital was \$2,362,160.

(10) 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.

(11) Retained earnings

- A. Under the Company's Articles of Incorporation, the dividend policy of the Company is based on the Company's future capital expenditure budget and capital requirements. Dividends shall be appropriated from accumulated distributable earnings, and the distribution amount shall not be lower than 60% of accumulated distributable earnings, of which cash dividends shall not be lower than 50% of the total dividends distributed. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' 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 earnings constitute the 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 shareholders at the shareholders' meeting.
- B. The appropriations of 2019 and 2018 earnings had been resolved at the shareholders' meeting on May 27, 2020 and May 29, 2019, respectively. Details are summarized below:

	Year ended December 31			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 93,344		\$ 106,439	
Special reserve	\$ 25,475		\$ 11,672	
Cash dividends	\$ 779,513	\$ 3.3	\$ 873,999	\$ 3.7

- C. 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.
- D. (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.
- E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(16).

(12) Sales revenue

	Three months ended September 30	
	2020	2019
Revenue from contracts with customers	\$ 1,358,567	\$ 1,042,428
	Nine months ended September 30	
	2020	2019
Revenue from contracts with customers	\$ 4,008,172	\$ 3,238,519

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:

	Three months ended September 30	
	2020	2019
Asia	\$ 1,085,151	\$ 856,292
America	87,369	45,953
Europe	177,323	132,216
Others	8,724	7,967
	<u>\$ 1,358,567</u>	<u>\$ 1,042,428</u>

	Nine months ended September 30	
	2020	2019
Asia	\$ 3,552,950	\$ 2,747,594
America	133,615	131,910
Europe	303,138	338,159
Others	18,469	20,856
	<u>\$ 4,008,172</u>	<u>\$ 3,238,519</u>

## B. Contract liabilities

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

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Contract liabilities	<u>\$ 22,289</u>	<u>\$ 48,694</u>	<u>\$ 24,526</u>	<u>\$ 39,634</u>

For the three months and nine months ended September 30, 2020 and 2019, the Group's contract liabilities on January 1, 2020 and 2019 were realised to revenue amounting to \$0, \$4,746, \$48,644 and \$38,993, respectively.

## (13) Other income

	Three months ended September 30	
	2020	2019
Rental income	\$ 3,157	\$ 54
Other income	1,051	14,863
	<u>\$ 4,208</u>	<u>\$ 14,917</u>

	Nine months ended September 30	
	2020	2019
Rental income	\$ 7,909	\$ 54
Other income	6,138	39,477
	<u>\$ 14,047</u>	<u>\$ 39,531</u>

## (14) Other gains and losses

	Three months ended September 30	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 3,443	\$ 1,033
Net currency exchange losses	( 30,015)	( 27,224)
Other losses	( 1)	( 12,726)
	<u>(\$ 26,573)</u>	<u>(\$ 38,917)</u>

	Nine months ended September 30	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 3,849	\$ 3,389
Net currency exchange losses	( 59,423)	( 4,150)
Other losses	( 3)	( 36,003)
	<u>(\$ 55,577)</u>	<u>(\$ 36,764)</u>

(15) Expenses by nature

	Three months ended September 30	
	2020	2019
Employee benefit expense	\$ 266,605	\$ 226,921
Depreciation charges on property, plant and equipment and right-of-use assets	30,772	29,753
Amortisation charges on intangible assets	3,003	2,575
	<u>\$ 300,380</u>	<u>\$ 259,249</u>

	Nine months ended September 30	
	2020	2019
Employee benefit expense	\$ 763,102	\$ 673,785
Depreciation charges on property, plant and equipment and right-of-use assets	85,483	86,611
Amortisation charges on intangible assets	8,985	7,549
	<u>\$ 857,570</u>	<u>\$ 767,945</u>

(16) Employee benefit expense

	Three months ended September 30	
	2020	2019
Wages and salaries	\$ 234,624	\$ 193,048
Labour and health insurance fees	15,156	18,629
Pension costs	6,803	6,304
Other personnel expenses	10,022	8,940
	<u>\$ 266,605</u>	<u>\$ 226,921</u>

	Nine months ended September 30	
	2020	2019
Wages and salaries	\$ 672,838	\$ 576,637
Labour and health insurance fees	42,925	52,644
Pension costs	19,916	18,593
Other personnel expenses	27,423	25,911
	<u>\$ 763,102</u>	<u>\$ 673,785</u>

- A. In accordance with the amendments of the Articles of Incorporation, which was approved by the shareholders during the shareholders' meeting on May, 29, 2019, 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 1% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three months and nine months ended September 30, 2020 and 2019, employees' compensation was accrued at \$6,537, \$4,157, \$19,192 and \$14,273, respectively; while directors' remuneration was accrued at \$3,368, \$2,142, \$9,887 and \$7,353, 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 nine months ended September 30, 2020 and 2019 and the percentage as prescribed by the Company's Articles of Incorporation.

The employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors on February 26, 2020 amounting to \$18,389 and \$9,473, respectively, were in agreement with those amounts recognised in the 2019 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.

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30	
	2020	2019
Current tax:		
Current tax on profit for the period	\$ 80,441	\$ 40,005
Tax on undistributed earnings	-	-
Total current tax	80,441	40,005
Deferred tax:		
Origination and reversal of temporary differences	6,306	9,575
Income tax expense	\$ 86,747	\$ 49,580

	Nine months ended September 30	
	2020	2019
Current tax:		
Current tax on profit for the period	\$ 225,975	\$ 145,783
Tax on undistributed earnings	2,018	3,386
Total current tax	<u>227,993</u>	<u>149,169</u>
Deferred tax:		
Origination and reversal of temporary differences	19,693	31,543
Income tax expense	<u>\$ 247,686</u>	<u>\$ 180,712</u>

(b) The income tax expense (benefit) relating to components of other comprehensive income is as follows:

	Three months ended September 30	
	2020	2019
Currency translation differences	<u>\$ 2,907</u>	<u>(\$ 6,318)</u>
	Nine months ended September 30	
	2020	2019
Currency translation differences	<u>(\$ 1,687)</u>	<u>(\$ 4,469)</u>

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(18) Earnings per share

	Three months ended September 30, 2020		
	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	\$ 311,090	236,216	<u>\$ 1.32</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	115	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 311,090</u>	<u>236,331</u>	<u>\$ 1.32</u>



Three months ended September 30, 2019			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 214,174	236,216	<u>\$ 0.91</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>84</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 214,174</u>	<u>236,300</u>	<u>\$ 0.91</u>

Nine months ended September 30, 2020			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 953,368	236,216	<u>\$ 4.04</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>410</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 953,368</u>	<u>236,626</u>	<u>\$ 4.03</u>

Nine months ended September 30, 2019			
	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	\$ 734,607	236,216	\$ <u>3.11</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	427	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>734,607</u>	<u>236,643</u>	\$ <u>3.10</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

	Three months ended September 30	
	2020	2019
Salaries and other short-term employee benefits	\$ 7,020	\$ 6,831
Post-employment benefits	194	119
	<u>\$ 7,214</u>	<u>\$ 6,950</u>
	Nine months ended September 30	
	2020	2019
Salaries and other short-term employee benefits	\$ 28,897	\$ 21,889
Post-employment benefits	582	356
	<u>\$ 29,479</u>	<u>\$ 22,245</u>

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

B. Post-employment benefits represent pension costs.

## 8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2020	December 31, 2019	September 30, 2019	
Property, plant and equipment				
- Land	\$ 388,990	\$ 388,990	\$ 388,990	Security for lines of credit
- Buildings	50,940	52,135	52,533	"
Time deposits (shown as "Other current assets")	-	2,998	3,104	Performance bond
	<u>\$ 439,930</u>	<u>\$ 444,123</u>	<u>\$ 444,627</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

None.

### (2) Commitments

None.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 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 situation 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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 976,932	\$ 1,300,530	\$ 965,209
Financial assets at amortised cost	228,053	204,777	206,899
Notes receivable	68,880	25,343	20,221
Accounts receivable	2,352,906	1,934,508	2,074,825
Other receivables	10,311	21,016	18,940
Guarantee deposits paid (shown as “other non-current assets”)	10,357	11,591	9,891
Other financial assets (shown as “other current assets”)	-	2,998	3,104
	<u>\$ 3,647,439</u>	<u>\$ 3,500,763</u>	<u>\$ 3,299,089</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ 24,276	\$ 26,398	\$ 24,292
Accounts payable	671,774	455,746	527,564
Other payables	254,718	276,615	259,239
	<u>\$ 950,768</u>	<u>\$ 758,759</u>	<u>\$ 811,095</u>
Lease liabilities (including current portion)	<u>\$ 47,889</u>	<u>\$ 61,522</u>	<u>\$ 68,655</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 transactions of the Company and its subsidiaries used in 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:

September 30, 2020

Sensitivity Analysis						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit		Effect on other comprehensive income
				of loss		
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	29.10	\$ 1,774,518	1%	\$ 17,745	\$ -	-
RMB:NTD	4.27	314,463	1%	3,145	-	-
JPY:NTD	0.28	22,357	1%	224	-	-
<u>Non-monetary items</u>						
USD:NTD	29.10	49,333	1%	-	-	493
EUR:NTD	34.15	23,117	1%	-	-	231
JPY:NTD	0.28	10,804	1%	-	-	108
MYR:NTD	6.70	16,601	1%	-	-	166
KRW:NTD	0.03	11,110	1%	-	-	111
RMB:NTD	4.27	786,273	1%	-	-	7,863
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	29.10	\$ 78,279	1%	\$ 783	\$ -	-
RMB:NTD	4.27	62,545	1%	625	-	-
JPY:NTD	0.28	22,929	1%	229	-	-

December 31, 2019

	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	\$ 38,719	29.98	\$ 1,160,796	1%	\$ 11,608	\$ -	
RMB:NTD	165,175	4.31	711,078	1%	7,111	-	
JPY:NTD	47,799	0.28	13,193	1%	132	-	
<u>Non-monetary items</u>							
USD:NTD	1,554	29.98	46,594	1%	-	466	
EUR:NTD	915	33.59	30,734	1%	-	307	
JPY:NTD	54,328	0.28	14,995	1%	-	150	
MYR:NTD	2,252	7.03	15,835	1%	-	158	
RMB:NTD	164,366	4.31	707,595	1%	-	7,076	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$ 2,378	29.98	\$ 71,292	1%	\$ 713	\$ -	
RMB:NTD	85,250	4.31	367,001	1%	3,670	-	
EUR:NTD	408	33.59	13,705	1%	137	-	



September 30, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity Analysis		
					Effect on profit of loss	Effect on other comprehensive income	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 2,515	31.04	\$ 78,066	1%	\$ 781	\$ -	-
RMB:NTD	302,008	4.35	1,313,735	1%	13,137	-	-
EUR:NTD	184	33.95	6,247	1%	62	-	-
JPY:NTD	36,856	0.2878	10,607	1%	106	-	-
<u>Non-monetary items</u>							
USD:NTD	1,344	31.04	41,724	1%	-	-	417
EUR:NTD	959	33.95	32,547	1%	-	-	325
JPY:NTD	41,048	0.2878	11,814	1%	-	-	118
MYR:NTD	2,135	7.122	15,204	1%	-	-	152
RMB:NTD	177,085	4.35	770,319	1%	-	-	7,703
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$ 1,386	31.04	\$ 43,021	1%	\$ 430	\$ -	-
RMB:NTD	174,336	4.35	758,362	1%	7,584	-	-
EUR:NTD	270	33.95	9,167	1%	92	-	-
JPY:NTD	83,893	0.2878	24,144	1%	241	-	-

- iii. Total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2020 and 2019 amounted to \$30,015, \$27,224, \$59,423 and \$4,150, respectively.

#### 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

- 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, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group's credit risk management policy is that for banks and financial institutions, only institutions with good credit rating 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. In accordance with the internal management policy of the Group, if the contract payments were past due over 120 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. In accordance with the internal management policy of the Group, the default occurs when the contract payments are past due over 365 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments.

- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the modified approach using the provision matrix based on the loss rate methodology to estimate expected credit loss.
- vii. The Group writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2020, December 31, 2019 and September 30, 2019, the provision matrix based on the loss rate methodology is as follows:

Group A:

	Not past due	1~60 days past due	61~90 days past due	91~180 days past due	181~365 days past due	Over 365 days past due	Total
<u>September 30, 2020</u>							
Expected loss rate	0.03%-0.54%	1.5%	15%	25%	40%	60%-100%	
Total book value	\$ 135,520	\$ 8,396	\$ -	\$ 16	\$ 7	\$ 1,406	\$ 145,345
Loss allowance	734	126	-	4	3	1,236	2,103

	Not past due	1~60 days past due	61~90 days past due	91~180 days past due	181~365 days past due	Over 365 days past due	Total
<u>December 31, 2019</u>							
Expected loss rate	0.03%-0.19%	1.5%	15%	25%	40%	60%-100%	
Total book value	\$ 419,864	\$ 19	\$ -	\$ 1,132	\$ 5,767	\$ 1,290	\$ 428,072
Loss allowance	812	-	-	283	2,307	918	4,320

	Not past due	1~60 days past due	61~90 days past due	91~180 days past due	181~365 days past due	Over 365 days past due	Total
<u>September 30, 2019</u>							
Expected loss rate	0.18%	1.5%	15%	25%	40%	60%-100%	
Total book value	\$ 551,862	\$ 11,794	\$ 16,015	\$ 2,175	\$ 8,744	\$ 3,710	\$ 594,300
Loss allowance	983	177	2,402	544	3,498	2,226	9,830

Group B:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Expected loss rate	0.03%-0.54%	0.03%-0.19%	0.18%
Total book value	\$ 2,221,706	\$ 1,513,693	\$ 1,493,043
Loss allowance	12,042	2,937	2,688

Group A: Customers excluding Group B.

Group B: Domestic and foreign clients that have good operating conditions, high degree of financial transparency, proceeds of collections of transaction and are rated with optimised internal credit rating. The default possibility that the Group used the

forecastability to adjust historical and timely information to assess was 0.03%, which was used to assess the default possibility of accounts receivable.

- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020	2019
At January 1	\$ 7,257	\$ 27,883
Provision for impairment	6,928	-
Reversal of impairment loss	-	( 15,139)
Effect of exchange rate changes	( 40)	( 226)
At September 30	<u>\$ 14,145</u>	<u>\$ 12,518</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed and aggregated by the Group's 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:

<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 24,276	\$ -
Accounts payable	671,774	-
Other payables	266,154	-
Lease liabilities	23,403	30,552

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 26,398	\$ -
Accounts payable	455,746	-
Other payables	276,615	-
Lease liabilities	23,594	44,892

<u>September 30, 2019</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 24,292	\$ -
Accounts payable	527,564	-
Other payables	259,239	-
Lease liabilities	21,550	47,105

(3) Fair value information

- A. The Group has no financial instruments measured at fair value by valuation method.
- B. The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, notes payable, accounts payable and other payables are approximate to their fair values.

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 2 to 4.

(4) Major shareholders information

Major shareholders information: 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:

	Nine months ended September 30	
	2020	2019
Revenue from external customers	\$ 4,008,172	\$ 3,238,519
Segment profit	\$ 1,237,738	\$ 907,645

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:

	Nine months ended September 30	
	2020	2019
Reportable segments income	\$ 1,237,738	\$ 907,645
Unallocated profit or loss:		
Non-operating income and expenses	( 36,684)	7,674
Income before tax from continuing operations	\$ 1,201,054	\$ 915,319

Test Research, Inc. and Subsidiaries

Loans to others

Nine months ended September 30, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at September 30, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					balance during the nine months ended September 30, 2020								Item	Value			
1	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	\$ 25,944	\$ 25,614	\$ 25,614	4.75%	Short-term financing	\$ -	Additional operating capital	\$ -	None	\$ -	\$ 554,954	\$ 1,109,908	Note 1

Note 1: 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 creditor's net worth. For business transactions, if for short-term financing purpose, the ceiling on loans shall not exceed 40% of the creditor's net worth. Limit to a single party is RMB 4 million. However, limit on loans for financing granted by and to subsidiaries with the same ultimate parent which 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 NT\$100 million or 20% of paid-in capital or more  
Nine months ended September 30, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
					(sales)	Credit term					
Test Research, Inc.	TRI Electronic (Shenzhen) Limited	Second-tier subsidiary	Sales	\$ 271,615	0%	90-120 days after acceptance and same with the third parties	40% to 60% of the standard price offered to third parties	90-120 days after acceptance and same with the third parties	\$ 77,606	4%	None
Test Research, Inc.	TRI Electronic (Suzhou) Limited	Second-tier subsidiary	Sales	223,731	0%	90-120 days after acceptance and same with the third parties	40% to 60% of the standard price offered to third parties	90-121 days after acceptance and same with the third parties	235,262	11%	None
TRI Electronic (Shenzhen) Limited	Test Research, Inc.	Parent company	Purchases	271,615	100%	90-120 days after acceptance	Determined by the parent company	90-120 days after acceptance	(77,606)	83%	None
TRI Electronic (Suzhou) Limited	Test Research, Inc.	Parent company	Purchases	223,731	100%	90-120 days after acceptance	Determined by the parent company	90-121 days after acceptance	(235,262)	99%	None



Test Research, Inc. and Subsidiaries  
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
 Nine months ended September 30, 2020

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note)	Allowance for doubtful accounts
					Amount	Action taken		
Test Research, Inc.	TRI Electronic (Suzhou) Limited	Second-tier subsidiary	\$ 235,975	1.89	\$ 47,366	In the process of collection	\$ 7,699	\$ -

Note: The subsequent collections were reviewed prior to the review report date.

Test Research, Inc. and Subsidiaries  
Significant inter-company transactions during the reporting period  
Nine months ended September 30, 2020

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.	TRI Electronic (Suzhou) Limited	1	Sales revenue	\$ 223,731	Note 3	6
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Sales revenue	271,615	Note 3	7
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	Sales revenue	22,526	Note 8	1
0	Test Research, Inc.	TEST RESEARCH USA, INC.	1	Sales revenue	23,695	Note 8	-
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Accounts receivable	235,262	Note 3	3
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Accounts receivable	77,606	Note 3	1
0	Test Research, Inc.	TEST RESEARCH USA, INC.	1	Accounts receivable	11,593	Note 8	-
1	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Service revenue	109,073	Note 6 and 7	3
1	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Accounts receivable	11,400	Note 6 and 7	-
2	TRI Electronic (Suzhou) Limited	Test Research, Inc.	2	Service revenue	28,374	Note 6 and 7	1
3	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	25,614	Note 5	-
4	TEST RESEARCH USA, INC.	Test Research, Inc.	2	Service revenue	22,066	Note 6	1
5	TRI TEST RESEARCH EUROPE GMBH	Test Research, Inc.	2	Service revenue	17,566	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: Selling prices to the parent company and the Mainland China investees are determined based on 40% to 60% of the standard sales price. The credit term is 90 to 120 days after acceptance and was the same with the 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 second-tier subsidiary, and the subsidiaries and second-tier subsidiary act as product sales agent.

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

Note 8: The price is determined based on the mutual agreement.

Test Research, Inc. and Subsidiaries  
Information on investees  
Nine months ended September 30, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine months ended September 30, 2020	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Test Research, Inc.	TRI INVESTMENTS LIMITED	Samoa	Investment holdings	\$ 219,811	\$ 219,811	6,724,109	100	\$ 740,994	\$ 88,235	\$ 72,575	Note 2
Test Research, Inc.	DOLI TRADING LIMITED	British Virgin Islands	Trading	131,973	131,973	801	100	45,279	6,911	11,351	Note 2
Test Research, Inc.	TEST RESEARCH USA, INC.	United States	Trading	61,299	61,299	1,518,935	100	49,333	4,209	4,209	None
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	Germany	Trading	17,679	17,679	-	100	23,117	( 7,979)	( 7,979)	Note 1
Test Research, Inc.	TRI JAPAN CORPORATION	Japan	Trading	10,750	10,750	720	100	10,804	( 4,196)	( 4,196)	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	2,066	2,066	1,000,000	100	16,601	1,517	1,517	None
Test Research, Inc.	TRI KOREA CO., Ltd.	South Korea	Trading	10,592	-	80,000	100	11,110	1,599	1,070	Note 2

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  
Nine months ended September 30, 2020

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, 2020 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020 (Note 3)	Net income of investee for the nine months ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company for the nine months ended September 30, 2020 (Note 2(2)(C).)	Book value of investments in Mainland China as of September 30, 2020 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	\$ 88,755	2	\$ 21,825	\$ -	\$ -	\$ 21,825	\$ 79,394	100	\$ 79,394	\$ 583,598	\$ -	Note 5
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	75,337	2	58,200	-	-	58,200	9,408	100	9,408	84,143	-	Note 5
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	113,490	2	113,490	-	-	113,490	( 551)	100	( 551)	70,506	-	Note 5
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020 (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.	\$ 193,515	\$ 276,688	\$ 3,329,723										

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 nine months ended September 30, 2020' 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. It was recognised based on the unreviewed self-prepared financial statements provided by the investee.

Note 3: The amount was originally denominated in USD and was translated to NTD at the exchange rate (1:29.10) 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

Major shareholders information

September 30, 2020

Table 7

Name of major shareholders	Number of shares held	Ownership (%)
Chieh-Yuan, Chen	37,889,235	16.04%
Mei-Hsing, Yeh	17,338,054	7.33%
Der-Hsin Investment Co., Ltd.	13,464,174	5.69%

Note 1: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital reflected in the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Note 2: If the aforementioned data contains shares which were held in trust by the shareholders, the data is disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to the Market Observation Post System.