

**TEST RESEARCH, INC.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 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' REPORT TRANSLATED FROM CHINESE

PWCR 20003750

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

***Opinion***

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

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

***Basis for opinion***

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

### ***Key audit matters***

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

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

#### **Valuation of inventories**

##### Description

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

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

##### How our audit addressed the matter

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

1. Understanding the industry and operations of the Company, and assessing the reasonableness of accounting policies applied in determining the adequacy of inventory provision.
2. Understanding the inventory management processes, examining the annual physical count plan, and performing physical inventory observation to assess the effectiveness of judgement and control over obsolete or slow-moving inventory.

3. Obtaining inventory aging report and testing movements to confirm whether they are assigned to the correct aging category and are in accordance with the Company's accounting policy. We also recalculated to check the adequacy of the allowance for valuation losses.
4. Analysing and comparing the difference of inventory valuation losses between the latest two years and examining supporting evidences in relation to allowance for slow-moving inventory valuation losses, which were individually identified by the management based on the inventory clearance condition, to assess the propriety of inventory valuation losses.

### **Cutoff of export revenue recognition**

#### Description

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

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

#### How our audit addressed the matter

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

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



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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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



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

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Pan, Hui-Lin

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Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2021

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

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

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

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

(Continued)



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

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

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

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

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

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

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

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

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

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

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

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



TEST RESEARCH, INC.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(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 is 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 FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 24, 2021.

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 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

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
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 Company's financial condition and financial performance based on the Company'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 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 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(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 parent company only 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional 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 retranslated 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 other foreign exchange gains and losses based on the nature of those transactions 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 company entities, associates and joint arrangements 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.

(4) 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.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts 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 commitments in operations are classified as cash equivalents.

(6) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

(7) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Company 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 or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.



(8) Derecognition of financial assets

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

(9) 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 progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. 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.

(10) Investments accounted for using the equity method - subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and subsidiaries are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.
- D. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- 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 Company 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
Other equipment	3 ~ 10 years

(12) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(13) Intangible assets

A. Trademarks and licences

Separately acquired trademarks are stated at historical cost. Trademarks and licences have a finite useful life and are amortised on a straight-line basis over their estimated useful lives 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 2 to 5 years.

(14) Impairment of non-financial assets

The Company 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 (including warranties) are recognised when the Company 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 plan

For defined contribution plan, 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 plan

- 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 Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan 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 the defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as 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 estimates.

(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 operates and generates 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 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 parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax asset is realised or the deferred tax liability is settled.
- D. Deferred 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 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 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 resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

#### (22) Revenue recognition

##### A. Sales of goods

- (a) The Company is engaged in the design, assembly, manufacture and sale of automatic inspection 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 Company has objective evidence that all criteria for acceptance have been satisfied.

- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the business tax, sales return and discounts. 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. The sales usually are made with a credit term of 30 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) The Company'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. Service revenue

The Company provides repair and maintenance services for 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 Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

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

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company'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 Company's accounting policies, there is no critical accounting judgment. The critical accounting estimates and assumptions are addressed below:

#### Valuation of inventories

The Company's inventories are stated at the lower of cost and net realisable value. The Company must determine the net realisable value of inventories on balance sheet date using judgments 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. The valuation of inventories is determined by the management principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the valuation.

As of December 31, 2020, the carrying amount of inventories was \$884,280.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 1,244	\$ 1,073
Demand deposits	589,394	745,311
Time deposits	-	120,000
Deposits in transit	-	30,616
Short-term notes and bills	739,999	180,000
	<u>\$ 1,330,637</u>	<u>\$ 1,077,000</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

### (2) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	<u>\$ 3,932</u>	<u>\$ 8,827</u>
Accounts receivable	\$ 1,337,926	\$ 1,222,340
Less: Allowance for uncollectible accounts	( 1,832)	( 303)
	<u>\$ 1,336,094</u>	<u>\$ 1,222,037</u>

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,100,978	\$ 3,932	\$ 1,133,358	\$ 8,827
Past due				
Up to 60 days	133,148	-	72,904	-
61 to 90 days	30,765	-	10,472	-
91 to 180 days	65,209	-	4,089	-
181 to 365 days	7,826	-	1,517	-
	<u>\$ 1,337,926</u>	<u>\$ 3,932</u>	<u>\$ 1,222,340</u>	<u>\$ 8,827</u>

The above ageing analysis was based on past due date.

- B. As at December 31, 2020 and 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 \$597,256.
- C. As at December 31, 2020 and 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 Company's notes receivable were \$3,932 and \$8,827, and accounts receivable were \$1,336,094 and \$1,222,037, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(3) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 904,218	(\$ 112,250)	\$ 791,968
Work in progress	86,240	( 8)	86,232
Finished goods	5,479	( 85)	5,394
Merchandise	693	( 7)	686
	<u>\$ 996,630</u>	<u>(\$ 112,350)</u>	<u>\$ 884,280</u>

  

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 732,531	(\$ 92,457)	\$ 640,074
Work in progress	63,829	( 108)	63,721
Finished goods	3,271	-	3,271
Merchandise	1,627	( 8)	1,619
	<u>\$ 801,258</u>	<u>(\$ 92,573)</u>	<u>\$ 708,685</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2020	2019
Cost of goods sold	\$ 2,222,083	\$ 1,840,327
Loss on slow-moving inventories	28,795	14,308
Loss on physical inventory	2	5
	<u>\$ 2,250,880</u>	<u>\$ 1,854,640</u>



(4) Investments accounted for using the equity method

	2020	2019
At January 1	\$ 815,753	\$ 757,520
Addition of investments accounted for using equity method	10,591	-
Disposal of investments accounted for using equity method	( 54,730)	-
Share of profit or loss of investments accounted for using equity method	124,674	104,500
Unrealised profit from sales	( 99,181)	( 78,642)
Realised profit from sales	78,642	88,752
Changes in other equity items	12,576	( 31,844)
Transfers from other non-current liabilities	-	( 24,533)
At December 31	<u>\$ 888,325</u>	<u>\$ 815,753</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
TRI INVESTMENTS LIMITED	768,434	673,667
DOLI TRADING LIMITED	-	33,928
TEST RESEARCH USA, INC.	56,886	46,594
TRI TEST RESEARCH EUROPE GMBH	20,650	30,734
TRI JAPAN CORPORATION	8,615	14,995
TRI MALAYSIA SDN. BHD	19,540	15,835
TRI KOREA CO., Ltd.	14,200	-
	<u>\$ 888,325</u>	<u>\$ 815,753</u>

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

(5) Property, plant and equipment

	2020						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Miscellaneous equipment	Unfinished construction	Total
<u>At January 1</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 66,495	\$ 215,301	\$ 140,553	\$ -	\$ 2,509,908
Accumulated depreciation	-	( 231,592)	( 53,802)	( 130,392)	( 100,542)	-	( 516,328)
	<u>\$ 1,166,021</u>	<u>\$ 689,946</u>	<u>\$ 12,693</u>	<u>\$ 84,909</u>	<u>\$ 40,011</u>	<u>\$ -</u>	<u>\$ 1,993,580</u>
Opening net book amount as at January 1	\$ 1,166,021	\$ 689,946	\$ 12,693	\$ 84,909	\$ 40,011	\$ -	\$ 1,993,580
Additions	-	-	1,615	6,691	3,336	40	11,682
Transfers from inventories	-	-	2,649	12,958	10,106	-	25,713
Disposals	-	-	( 207)	( 5,619)	( 189)	-	( 6,015)
Depreciation charge	-	( 18,104)	( 5,405)	( 29,109)	( 15,008)	-	( 67,626)
Closing net book amount as at December 31	<u>\$ 1,166,021</u>	<u>\$ 671,842</u>	<u>\$ 11,345</u>	<u>\$ 69,830</u>	<u>\$ 38,256</u>	<u>\$ 40</u>	<u>\$ 1,957,334</u>
<u>At December 31</u>							
Cost	\$ 1,166,021	\$ 921,538	\$ 67,651	\$ 209,135	\$ 148,443	\$ 40	\$ 2,512,828
Accumulated depreciation	-	( 249,696)	( 56,306)	( 139,305)	( 110,187)	-	( 555,494)
	<u>\$ 1,166,021</u>	<u>\$ 671,842</u>	<u>\$ 11,345</u>	<u>\$ 69,830</u>	<u>\$ 38,256</u>	<u>\$ 40</u>	<u>\$ 1,957,334</u>

	2019					
	Land	Buildings and structures	Machinery and equipment	Office equipment	Miscellaneous equipment	Total
<u>At January 1</u>						
Cost	\$ 1,166,021	\$ 921,538	\$ 70,956	\$ 213,585	\$ 125,202	\$ 2,497,302
Accumulated depreciation	-	( 213,488)	( 56,436)	( 121,422)	( 91,006)	( 482,352)
	<u>\$ 1,166,021</u>	<u>\$ 708,050</u>	<u>\$ 14,520</u>	<u>\$ 92,163</u>	<u>\$ 34,196</u>	<u>\$ 2,014,950</u>
Opening net book amount as at January 1	\$ 1,166,021	\$ 708,050	\$ 14,520	\$ 92,163	\$ 34,196	\$ 2,014,950
Additions	-	-	1,175	3,711	14,477	19,363
Transfers from inventories	-	-	2,998	18,723	4,383	26,104
Disposals	-	-	( 303)	( 579)	( 127)	( 1,009)
Depreciation charge	-	( 18,104)	( 5,697)	( 29,109)	( 12,918)	( 65,828)
Closing net book amount as at December 31	<u>\$ 1,166,021</u>	<u>\$ 689,946</u>	<u>\$ 12,693</u>	<u>\$ 84,909</u>	<u>\$ 40,011</u>	<u>\$ 1,993,580</u>
<u>At December 31</u>						
Cost	\$ 1,166,021	\$ 921,538	\$ 66,495	\$ 215,301	\$ 140,553	\$ 2,509,908
Accumulated depreciation	-	( 231,592)	( 53,802)	( 130,392)	( 100,542)	( 516,328)
	<u>\$ 1,166,021</u>	<u>\$ 689,946</u>	<u>\$ 12,693</u>	<u>\$ 84,909</u>	<u>\$ 40,011</u>	<u>\$ 1,993,580</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) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonus payable	\$ 152,634	\$ 139,017
Employees' compensation and directors' remuneration	32,731	27,862
Others	63,200	58,202
	<u>\$ 248,565</u>	<u>\$ 225,081</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 122,611	\$ 116,478
Fair value of plan assets	( 59,700)	( 55,120)
Net defined benefit liability (shown as "other non-current liabilities")	<u>\$ 62,911</u>	<u>\$ 61,358</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
2020			
At January 1	\$ 116,478	(\$ 55,120)	\$ 61,358
Current service cost	12	-	12
Interest expense (income)	816	( 386)	430
	<u>117,306</u>	<u>( 55,506)</u>	<u>61,800</u>
Remeasurements:			
Actuarial gain	-	( 1,863)	( 1,863)
Change in financial assumptions	4,123	-	4,123
Experience adjustments	1,182	-	1,182
	<u>5,305</u>	<u>( 1,863)</u>	<u>3,442</u>
Pension fund contribution	-	( 2,331)	( 2,331)
Paid pension	-	-	-
At December 31	<u>\$ 122,611</u>	<u>(\$ 59,700)</u>	<u>\$ 62,911</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2019			
At January 1	\$ 108,413	(\$ 50,561)	\$ 57,852
Current service cost	12	-	12
Interest expense (income)	976	( 455)	521
	<u>109,401</u>	<u>( 51,016)</u>	<u>58,385</u>
Remeasurements:			
Actuarial gain	-	( 1,816)	( 1,816)
Change in financial assumptions	2,124	-	2,124
Experience adjustments	4,953	-	4,953
	<u>7,077</u>	<u>( 1,816)</u>	<u>5,261</u>
Pension fund contribution	-	( 2,288)	( 2,288)
Paid pension	-	-	-
At December 31	<u>\$ 116,478</u>	<u>(\$ 55,120)</u>	<u>\$ 61,358</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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31	
	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	3.00%	3.00%

For the years ended December 31, 2020 and 2019, future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	\$ 2,601	(\$ 2,689)	\$ 2,321	(\$ 2,262)
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 2,646	(\$ 2,738)	\$ 2,390	(\$ 2,326)

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 methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$2,352.
- (g) As of December 31, 2020, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	12,124
1-2 year(s)		15,322
2-5 year(s)		15,392
Over 5 years		35,037
	\$	<u>77,875</u>

#### B. Defined contribution plan

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 not lower than 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. For the aforementioned pension plan, the Company recognised pension costs of \$24,476 and \$22,590 for the years ended December 31, 2020 and 2019, respectively.

#### (8) Share capital

The Company’s authorised capital was \$2,500,000. As of December 31, 2020, the Company’s issued and outstanding capital was \$2,362,160.

#### (9) 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.

#### (10) 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		\$ 106,440	
Special reserve	\$ 25,475		\$ 11,671	
Cash dividends	\$ 779,513	\$ 3.3	\$ 873,999	\$ 3.7

- C. The appropriations of 2020 earnings proposed by the Board of Directors on February 24, 2021 were as follows:

	Year ended December 31, 2020	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 108,921	
Special reserve	(\$ 10,061)	
Cash dividends	\$ 779,513	\$ 3.3

As of the report date, the abovementioned appropriations of 2020 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 Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(11) Sales revenue

	Year ended December 31	
	2020	2019
Revenue from contracts with customers	\$ 4,728,188	\$ 4,007,099

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31	
	2020	2019
Asia	\$ 4,123,133	\$ 3,361,249
America	217,003	172,227
Europe	365,964	448,396
Others	22,088	25,227
	<u>\$ 4,728,188</u>	<u>\$ 4,007,099</u>

B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities	<u>\$ 7,962</u>	<u>\$ 38,296</u>	<u>\$ 17,264</u>

For the years ended December 31, 2020 and 2019, the Company's contract liabilities on January 1, 2020 and 2019 were realised to revenue amounting to \$38,247 and \$16,780, respectively.

(12) Other income

	Year ended December 31	
	2020	2019
Rental income	\$ 124	\$ 103
Other income	4,728	4,579
	<u>\$ 4,852</u>	<u>\$ 4,682</u>

(13) Other gains and losses

	Year ended December 31	
	2020	2019
Net currency exchange losses	(\$ 96,717)	(\$ 53,999)
Losses on disposal of property, plant and equipment	( 139)	( 1,009)
Other losses	( 3)	( 1,655)
	<u>(\$ 96,859)</u>	<u>(\$ 56,663)</u>

(14) Expenses by nature

	Year ended December 31	
	2020	2019
Employee benefit expense	\$ 726,550	\$ 642,410
Depreciation charges on property, plant and equipment	67,626	65,828
Amortisation charges on intangible assets	12,042	10,143
	<u>\$ 806,218</u>	<u>\$ 718,381</u>

(15) Employee benefit expense

	Year ended December 31	
	2020	2019
Wages and salaries	\$ 632,505	\$ 551,232
Labour and health insurance fees	43,965	41,409
Pension costs	24,918	23,123
Other personnel expenses	25,162	26,646
	<u>\$ 726,550</u>	<u>\$ 642,410</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 1% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$21,603 and \$18,389, respectively; while directors' remuneration was accrued at \$11,128 and \$9,473, 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 years ended December 31, 2020 and 2019 and the percentage as prescribed by the Company's Articles of Incorporation.

Employees' compensation and directors' remuneration for 2020 and 2019 as resolved by the Board of Directors on February 24, 2021 and February 26, 2020, were in agreement with those amounts recognised in the 2020 and 2019 financial statements, respectively.

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.

(16) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2020	2019
Current tax:		
Current tax on profit for the year	\$ 210,871	\$ 188,014
Tax on undistributed earnings	2,018	3,386
Total current tax	212,889	191,400
Deferred tax:		
Origination and reversal of temporary differences	33,629	16,303
Total deferred tax	33,629	16,303
Income tax expense	\$ 246,518	\$ 207,703

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

	Year ended December 31	
	2020	2019
Currency translation differences	\$ 2,515	(\$ 6,369)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2020	2019
Income tax calculated by applying statutory rate to the profit before tax	\$ 267,835	\$ 229,280
Effect from investment tax credits	( 23,335)	( 24,953)
Tax on undistributed earnings	2,018	3,386
Others	-	( 10)
Income tax expenses	\$ 246,518	\$ 207,703

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

	2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences:					
Provision for contingent service cost/warranty	\$ 5,952	\$ 1,467	\$ -	\$ -	\$ 7,419
Unrealised foreign exchange loss	8,557	( 3,240)	-	-	5,317
Unrealised gross profit	15,729	5,831	-	-	21,560
Allowance for inventory valuation losses	18,515	3,955	-	-	22,470
Unrealised reserve for lending product and rework	1,108	( 259)	-	-	849
Accrued pension liabilities	12,271	( 378)	-	-	11,893
Unused compensated absences	3,902	573	-	-	4,475
Currency translation differences	-	-	3,453	-	3,453
Others	161	528	-	-	689
	<u>\$ 66,195</u>	<u>\$ 8,477</u>	<u>\$ 3,453</u>	<u>\$ -</u>	<u>\$ 78,125</u>
Deferred tax liabilities:					
Recognised investment profit accounted for using equity method	(\$ 94,814)	(\$ 42,106)	\$ -	\$ -	(\$ 136,920)
Currency translation differences	5,968	-	( 5,968)	-	-
	<u>(\$ 88,846)</u>	<u>(\$ 42,106)</u>	<u>(\$ 5,968)</u>	<u>\$ -</u>	<u>(\$ 136,920)</u>

2019					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences:					
Provision for contingent service cost/warranty	\$ 4,307	\$ 1,645	\$ -	\$ -	\$ 5,952
Unrealised foreign exchange loss	3,493	5,064	-	-	8,557
Unrealised gross profit	17,750	( 2,021)	-	-	15,729
Allowance for inventory valuation losses	19,522	( 1,007)	-	-	18,515
Unrealised reserve for lending product and rework	1,088	20	-	-	1,108
Accrued pension liabilities	11,570	701	-	-	12,271
Unused compensated absences	3,604	298	-	-	3,902
Others	161	-	-	-	161
	<u>\$ 61,495</u>	<u>\$ 4,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,195</u>
Deferred tax liabilities:					
Recognised investment profit accounted for using equity method	(\$ 73,811)	(\$ 21,003)	\$ -	\$ -	(\$ 94,814)
Currency translation differences	( 401)	-	6,369	-	5,968
	<u>(\$ 74,212)</u>	<u>(\$ 21,003)</u>	<u>\$ 6,369</u>	<u>\$ -</u>	<u>(\$ 88,846)</u>

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(17) Earnings per share

Year ended December 31, 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 company	\$ 1,092,656	236,216	\$ <u>4.63</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	428	
Profit attributable to ordinary shareholders of the company plus assumed conversion of all dilutive potential ordinary shares	\$ <u>1,092,656</u>	<u>236,644</u>	\$ <u>4.62</u>
Year ended December 31, 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 company	\$ 938,698	236,216	\$ <u>3.97</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	538	
Profit attributable to ordinary shareholders of the company plus assumed conversion of all dilutive potential ordinary shares	\$ <u>938,698</u>	<u>236,754</u>	\$ <u>3.96</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) Names of subsidiaries and relationship with the Company

<u>Names of related parties</u>	<u>Relationship with the Company</u>
TRI INVESTMENTS LIMITED (TIL)	Subsidiary of the Company
DOLI TRADING LIMITED (DOLI)	Subsidiary of the Company
TEST RESEARCH USA, INC. (TRU)	Subsidiary of the Company
TRI TEST RESEARCH EUROPE GMBH (TRE)	Subsidiary of the Company
TRI JAPAN CORPORATION (TRJ)	Subsidiary of the Company
TRI MALAYSIA SDN. BHD (TRM)	Subsidiary of the Company
TRI KOREA CO., Ltd. (TRK)	Subsidiary of the Company
TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED (TRV)	Indirect subsidiary of the Company
TRI Electronic (Shenzhen) Limited (TRI (SHENZHEN))	Indirect subsidiary of the Company
TRI Electronic (Suzhou) Limited (TRI (SUZHOU))	Indirect subsidiary of the Company
TRI Electronic (Shanghai) Limited (TRI (SHANGHAI))	Indirect subsidiary of the Company

Note: The subsidiaries shown in Note 7(3) refer to the total amounts of transactions with aforementioned related parties, except for those separately disclosed.

### (3) Significant related party transactions

#### A. Operating revenue

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
— DOLI	\$ 640	\$ 991,881
— Subsidiaries	724,629	244,518
	<u>725,269</u>	<u>1,236,399</u>
Sales of services:		
— DOLI	-	2,377
— TRJ	545	549
— Subsidiaries	9	-
	<u>554</u>	<u>2,926</u>
	<u>\$ 725,823</u>	<u>\$ 1,239,325</u>

- (a) Goods are sold to the subsidiary, DOLI, at a discount of 30% ~ 60% on the standard selling prices if those goods are for resale to the Company's indirectly wholly-owned investees, and at a discount of 9% on the final selling prices if those goods are for resale to third parties for the years ended December 31, 2020 and 2019. The credit terms are approximately 90 ~120 days after acceptance, which are similar to third parties.
- (b) Goods are sold to the remaining subsidiaries at a discount of 30% ~ 60% on the standard selling prices. The credit terms are approximately 90 ~120 days after acceptance, which are similar to third parties.

B. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
— DOLI	\$ -	\$ 378,561
— TRI (SUZHOU)	205,303	119,494
— Subsidiaries	111,810	-
Past due receivables transferred to other receivables		
— DOLI	- (	273,561)
— TRI (SUZHOU)	( 101,970)	-
— Subsidiaries	( 7,973)	( 562)
	<u>\$ 207,170</u>	<u>\$ 223,932</u>
Other receivables:		
— DOLI	\$ -	\$ 273,561
— TRI (SUZHOU)	102,701	-
— Subsidiaries	8,832	759
	<u>\$ 111,533</u>	<u>\$ 274,320</u>

- (a) The receivables from related parties arose mainly from sales of goods. The receivables are unsecured in nature and bear no interest. Information relating to credit risk management policies is provided in Note 12(2) C.
- (b) The Company transferred accounts receivable due from related parties that exceeded normal credit period to other receivables. The ageing analysis of accounts receivable that were past due is as follows:

	<u>December 31, 2020</u>			
	<u>Up to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
TRI (SUZHOU)	\$ -	\$ -	\$ 101,970	\$ 101,970
Subsidiaries	-	-	7,973	7,973
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,943</u>	<u>\$ 109,943</u>

	December 31, 2019			
	Up to 90 days	91 to 180 days	Over 180 days	Total
DOLI	\$ 273,561	\$ -	\$ -	\$ 273,561
Subsidiaries	562	-	-	562
	<u>\$ 274,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,123</u>

C. Payables to related parties

	December 31, 2020	December 31, 2019
Other payables:		
— TRI (SHENZHEN)	\$ 13,455	\$ 5,303
— TRE	6,227	6,114
— TRU	1,046	2,931
— TRI (SUZHOU)	5,776	4,948
— Subsidiaries	1,092	948
	<u>\$ 27,596</u>	<u>\$ 20,244</u>

The above pertain to commissions payable, assembly expenses and payments made by related parties on behalf of the Company.

D. Selling expenses

	Year ended December 31	
	2020	2019
Commissions expense		
— TRE	\$ 21,578	\$ 48,899
— TRU	33,751	40,616
— TRI (SUZHOU)	36,363	19,192
— TRI (SHENZHEN)	107,778	38,047
— Subsidiaries	29,999	29,341
	<u>229,469</u>	<u>176,095</u>
Assembly expenses		
— TRI (SUZHOU)	32,713	10,378
— TRI (SHENZHEN)	14,697	5,462
— Subsidiaries	2,951	1,260
	<u>50,361</u>	<u>17,100</u>
	<u>\$ 279,830</u>	<u>\$ 193,195</u>

Commission expenses arose from the agency agreements that the Company signed with subsidiaries, and were based on rates specified in the agency agreements. Assembly expenses arose from the installment services provided by the subsidiaries to assemble the machinery and equipment sold by the Company.

(4) Key management compensation

	Year ended December 31	
	2020	2019
Salaries and other short-term employee benefits	\$ 39,192	\$ 28,673
Post-employment benefits	777	475
	<u>\$ 39,969</u>	<u>\$ 29,148</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 Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Property, plant and equipment			
- Land	\$ 388,990	\$ 388,990	Security for lines of credit
- Buildings	50,542	52,135	"
	<u>\$ 439,532</u>	<u>\$ 441,125</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The 2020 appropriation of earnings had been proposed at the Board of Directors' meeting on February 24, 2021. Please refer to Note 6(10)C for detailed information.

12. OTHERS

(1) Capital management

The Company'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 Company 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>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,330,637	\$ 1,077,000
Notes receivable	3,932	8,827
Accounts receivable	1,336,094	1,222,037
Accounts receivable due from related parties	207,170	223,932
Other receivables	6,436	17,029
Other receivable due from related parties	111,533	274,320
Guarantee deposits paid		
(shown as “other non-current assets”)	542	2,942
	<u>\$ 2,996,344</u>	<u>\$ 2,826,087</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 16,782	\$ 26,398
Accounts payable	463,946	448,115
Other payables	244,061	225,081
Other payables due from related parties	27,596	20,244
	<u>\$ 752,385</u>	<u>\$ 719,838</u>

### B. Financial risk management policies

The Company 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. This allows the management of the Company to effectively control and measure market risk, credit risk, liquidity risk and cash flow interest risk.

### C. Significant financial risks and degrees of financial risks

#### (a) Market risk

##### Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from various currencies, primarily with respect to the USD, RMB and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Company’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, 2020										
(Foreign currency: functional currency)	Foreign currency amount		Book value	Sensitivity Analysis			Effect on other comprehensive income			
	(in thousands)	Exchange rate		(NTD)	Degree of variation	Effect on profit of loss				
	<u>Financial assets</u>									
	<u>Monetary items</u>									
	USD:NTD	\$	45,520	28.48	\$	1,296,410	1%	\$	12,964	\$
RMB:NTD		68,440	4.38		299,562	1%		2,996		-
<u>Non-monetary items</u>										
USD:NTD		1,997	28.48		56,886	1%		-		569
EUR:NTD		590	35.02		20,650	1%		-		207
JPY:NTD		31,179	0.28		8,615	1%		-		86
MYR:NTD		2,878	6.79		19,540	1%		-		195
KRW:NTD		537,079	0.03		14,200	1%		-		142
RMB:NTD		175,678	4.38		768,434	1%		-		7,684
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD:NTD	\$	1,898	28.48	\$	54,055	1%	\$	541	\$	-
RMB:NTD		6,693	4.38		29,995	1%		300		-

December 31, 2019

				Sensitivity Analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit of loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 33,014	29.98	\$ 989,773	1%	\$ 9,898	\$ -
RMB:NTD	102,608	4.31	441,726	1%	4,417	-
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>				1%		
<u>Monetary items</u>						
USD:NTD	\$ 1,155	29.98	\$ 34,639	1%	\$ 346	\$ -
RMB:NTD	3,346	4.31	14,404	1%	144	-
EUR:NTD	408	33.59	13,705	1%	137	-



- iii. Total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to \$96,717 and \$53,999, respectively.

#### Price risk

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

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

The Company has no borrowings; thus, the Company 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 Company 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 Company's credit risk management policy is that for banks and financial institutions, only institutions with good credit rating are accepted. According to the Company's credit policy, each local entity in the Company 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 Company, 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 Company, the default occurs when the contract payments are past due over 365 days.
- v. The Company resells goods to end customers through its related parties to expand the Mainland China market. In accordance with the internal management policy of the Company, the default from related parties occurs when the contract payments from end customers are past due and are difficult to collect based on the individual assessment.
- vi. 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.

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

Group A:

	Not past due	Up to 60 days past due	Up to 90 days past due	Up to 180 days past due	Up to 365 days past due	Over 365 days past due	Total
<u>December 31, 2020</u>							
Expected loss rate	0.02%	1.50%	15.00%	25.00%	40.00%	60%-100%	
Total book value	\$ 20,804	\$ 971	\$ -	\$ -	\$ 3,734	\$ -	\$ 25,509
Loss allowance	5	15	-	-	1,494	-	1,514
	Not past due	Up to 60 days past due	Up to 90 days past due	Up to 180 days past due	Up to 365 days past due	Over 365 days past due	Total
<u>December 31, 2019</u>							
Expected loss rate	0.03%	1.50%	15.00%	25.00%	40.00%	60%-100%	
Total book value	\$ 123,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,304
Loss allowance	31	-	-	-	-	-	31

Group B:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected loss rate	0.03%-0.43%	0.03%-0.19%
Total book value	\$ 1,646,079	\$ 1,513,693
Loss allowance	7,087	2,937

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 Company used the forecastability to adjust historical and timely information to assess was 0.02%, which was used to assess the default possibility of accounts receivable.

Further, as the situation as described in v. above did not occur on the accounts receivable due from related parties as of December 31, 2020 and 2019, no allowance for uncollectible accounts held against receivables from related parties was recognised.

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

	2020
At January 1	\$ 303
Provision for impairment	1,529
At December 31	\$ 1,832

  

	2019
At January 1	\$ 112
Provision for impairment	191
At December 31	\$ 303

(c) Liquidity risk

- i. Cash flow forecasting is performed and aggregated by the Company's treasury. Surplus cash held 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 Company'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>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 16,782	\$ -
Accounts payable	463,946	-
Other payables including related parties	276,161	-

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	448,115	-
Other payables including related parties	245,325	-

(3) Fair value information

- A. The Company 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

In accordance with the Article 22 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company is not required to prepare segment information within the scope of IFRS 8 in its parent company only financial statements.

TEST RESEARCH, INC.  
CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2020  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand and revolving funds		\$ 1,244
Demand deposits		
- NTD deposits		533,004
- Foreign deposits	USD 1,653,986 (Note) Exchange rate 28.48	
	EUR 3,320 (Note) Exchange rate 35.02	
	RMB 2,094,718 (Note) Exchange rate 4.38	
	JPY 29 (Note) Exchange rate 0.28	56,390
Short-term notes and bills		739,999
		<u>\$ 1,330,637</u>

Note: The foreign currency amounts are expressed in dollars.

TEST RESEARCH, INC.  
ACCOUNTS RECEIVABLE  
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars)

Client Name	Amount	Note
Client A	\$ 76,099	
Client B	70,246	
Others	1,191,581	None of the balances of each client is greater than 5% of this account balance.
	1,337,926	
Less: Allowance for bad debts	( 1,832)	
	\$ 1,336,094	

TEST RESEARCH, INC.  
INVENTORIES  
DECEMBER 31, 2020  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount		Note
		Cost	Net Realisable Value	
Raw materials		\$ 904,218	\$ 1,283,504	Use net realisable value as market value
Work in progress		86,240	86,240	
Finished goods		5,479	16,267	
Merchandise inventory		693	693	
		996,630	\$ 1,386,704	
Less: Allowance for valuation loss		( 112,350)		
		<u>\$ 884,280</u>		

TEST RESEARCH, INC.  
CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount (Note 1)	Shares	Amount (Note 2)	Shares	Percentage of Ownership	Amount	Unit Price (Note 4)	Total Amount	Collateral	Note
TRI INVESTMENTS LIMITED	6,724,109	\$ 673,667	-	\$ 123,408	-	(\$ 28,641)	6,724,109	100%	\$ 768,434	129	\$ 768,434	None	
DOLI TRADING LIMITED	801	33,928	-	20,802	801	( 54,730)	1,602	100%	-	-	-	None	
TEST RESEARCH USA, INC.	1,518,935	46,594	-	13,098	-	( 2,806)	1,518,935	100%	56,886	37	56,886	None	
TRI TEST RESEARCH EUROPE GMBH	-	30,734	-	883	-	( 10,967)	-	100%	20,650	(Note 3)	20,650	None	
TRI JAPAN CORPORATION	720	14,995	-	30	-	( 6,410)	720	100%	8,615	11,965	8,615	None	
TRI MALAYSIA SDN. BHD	1,000,000	15,835	-	4,219	-	( 514)	1,000,000	100%	19,540	20	19,540	None	
TRI KOREA CO., LTD.	-	-	80,000	14,709	-	( 509)	80,000	100%	14,200	178	14,200	None	
		<u>\$ 815,753</u>		<u>\$ 177,149</u>		<u>(\$ 104,577)</u>			<u>\$ 888,325</u>		<u>\$ 888,325</u>		

Note 1: Reasons for additions for the year were share of profit of subsidiaries, associates and joint ventures accounted for using the equity method of \$142,051, financial statements translation differences of foreign operations accounted for using the equity method of \$15,896, net changes in realised and unrealised profit from sales of \$8,611 and increase in investment in a subsidiary, TRI KOREA CO., Ltd., accounted for using the equity method of \$10,591.

Note 2: Reasons for decreases for the year were share of loss of subsidiaries, associates and joint ventures accounted for using the equity method of \$17,377, financial statements translation differences of foreign operations accounted for using the equity method of \$3,320, net changes in realised and unrealised profit from sales for the year of \$29,150 and disposal of investment in a subsidiary, DOLI TRADING LIMITED, accounted for using the equity method of \$54,730.

Note 3: It is a limited company.

Note 4: Expressed in New Taiwan dollars.



TEST RESEARCH, INC.  
CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
YEAR ENDED DECEMBER 31, 2020  
(Expressed in thousands of New Taiwan dollars)

Information is disclosed in Note 6(5).

TEST RESEARCH, INC.  
ACCOUNTS PAYABLE  
DECEMBER 31, 2020

(Expressed in thousands of New Taiwan dollars)

Client Name	Amount	Note
Supplier A	\$ 39,704	
Supplier B	32,126	
Supplier C	31,360	
Supplier D	26,949	
Others	333,807	None of the balances of each supplier is greater than 5% of this account balance
	\$ 463,946	

TEST RESEARCH, INC.  
OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2020  
 (Expressed in thousands of New Taiwan dollars)

Item	Volume	Amount
Sales revenue		
Automated inspection and testing equipment	2,294 units	\$ 4,678,023
Service revenue		<u>50,165</u>
Operating revenue, net		<u>\$ 4,728,188</u>

TEST RESEARCH, INC.  
OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2020  
(Expressed in thousands of New Taiwan dollars)

	<u>Description</u>	<u>Amount</u>
Direct raw materials		
Beginning raw materials	\$	732,531
Add: Raw materials purchased		2,178,461
Less: Ending raw materials	(	904,218)
Transfers to property, plant and equipment	(	25,715)
Raw materials scrapped	(	9,018)
Transfers to other expenses	(	16,868)
Loss on physical raw materials	(	2)
Raw materials used		1,955,171
Direct labor		72,838
Manufacturing expense		170,217
Manufacturing cost		2,198,226
Add: Beginning work in Progress		63,829
Less: Ending work in Progress	(	86,240)
Transfers to other expenses	(	21)
Cost of finished goods		2,175,794
Add: Beginning finished goods		3,271
Less: Ending finished goods	(	5,479)
Cost of finished goods		2,173,586
Add: Beginning merchandise inventory		1,627
Acquired in the year		47,563
Less: Ending merchandise inventory	(	693)
Cost of merchandise sales		48,497
Cost of goods sold		2,222,083
Loss on market value decline and obsolete and slow-moving inventories		28,795
Loss on physical inventories		2
Cost of goods manufactured and sold		2,250,880
Maintenance costs		8,798
Operating costs	\$	2,259,678

TEST RESEARCH, INC.  
MANUFACTURING EXPENSE  
YEAR ENDED DECEMBER 31, 2020  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Indirect labor	\$ 61,830	Including pension costs
Processing expense	45,803	
Depreciation	18,394	
Insurance expense	11,081	
		None of the balances of each item is greater than 5% of this account balance
Other expenses	<u>33,109</u>	
	<u>\$ 170,217</u>	

TEST RESEARCH, INC.  
OPERATING EXPENSES - GENERAL AND ADMINISTRATIVE EXPENSES  
YEAR ENDED DECEMBER 31, 2020  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 65,793	Including pension costs and directors' remuneration
Service expense	14,481	
Depreciation	10,437	
Insurance expense	8,165	
Other expenses	22,820	None of the balances of each item is greater than 5% of this account balance
	<u>\$ 121,696</u>	

TEST RESEARCH, INC.  
OPERATING EXPENSES - SELLING EXPENSES  
YEAR ENDED DECEMBER 31, 2020  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Commissions expense	\$ 250,004	
Wages and salaries	182,173	Including pension costs
Export expense	36,795	
Other expenses	161,757	None of the balances of each item is greater than 5% of this account balance
	<u>\$ 630,729</u>	

TEST RESEARCH, INC.  
OPERATING EXPENSES - RESEARCH AND DEVELOPMENT EXPENSE  
YEAR ENDED DECEMBER 31, 2020  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount	Note
Wages and salaries	\$ 274,789	Including pension costs
Supplies expense	41,040	
Other expenses	74,922	None of the balances of each item is
	\$ 390,751	greater than 5% of this account balance



TEST RESEARCH, INC.  
SUMMARY OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES BY FUNCTION  
YEAR ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Nature	Function	Year ended December 31, 2020			Year ended December 31, 2019		
		Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense							
Wages and salaries		\$ 129,299	492,078	\$ 621,377	\$ 109,298	432,461	\$ 541,759
Labour and health insurance fees		10,054	33,911	43,965	9,432	31,977	41,409
Pension costs		5,369	19,549	24,918	5,002	18,121	23,123
Directors' remuneration		-	11,128	11,128	-	9,473	9,473
Other personnel expenses		7,289	17,873	25,162	6,701	19,945	26,646
Total		<u>\$ 152,011</u>	<u>\$ 574,539</u>	<u>\$ 726,550</u>	<u>\$ 130,433</u>	<u>\$ 511,977</u>	<u>\$ 642,410</u>
Depreciation charge		<u>\$ 18,394</u>	<u>\$ 49,232</u>	<u>\$ 67,626</u>	<u>\$ 18,555</u>	<u>\$ 47,273</u>	<u>\$ 65,828</u>
Amortisation charge		<u>\$ 6</u>	<u>\$ 12,036</u>	<u>\$ 12,042</u>	<u>\$ 10</u>	<u>\$ 10,133</u>	<u>\$ 10,143</u>

Note:

- As at December 31, 2020 and 2019, the Company had 552 and 517 employees, respectively, both including 7 non-employee directors.
- A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
  - Average employee benefit expense in current year was \$1,313 ((Total employee benefit expense of current year - Total directors' remuneration of current year)/ (Number of employees of current year - Number of non-employee directors of current year))  
Average employee benefit expense in previous year was \$1,241 ((Total employee benefit expense of prior year - Total directors' remuneration of prior year)/ (Number of employees of prior year - Number of non-employee directors of prior year)).
  - Average employee salaries in current year was \$1,140 (Total wages and salaries of current year/ (Number of employees of current year - Number of non-employee directors of current year))  
Average employee salaries in previous year was \$1,062 (Total wages and salaries of prior year/ (Number of employees of prior year - Number of non-employee directors of prior year)).
  - Adjustment of average employee salaries was 7% ((Average wages and salaries of current year - Average wages and salaries of prior year)/Average wages and salaries of prior year).

TEST RESEARCH, INC.  
SUMMARY OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES BY FUNCTION (Cont.)  
YEAR ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

3. The Company has established the Audit Committee in lieu of supervisors. Therefore, there was no compensation to the supervisor.
4. The Company set the policy for directors' and employees' compensation in the Company's Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the Company's remuneration system for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operating results, future risks, corporate strategies, industry trends and also individual contribution.
5. The Company developed a comprehensive employee welfare system to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, the compensation based on the Company's earnings performance and regulated by the articles. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and distributing compensation.
6. According to the Company's Articles of Incorporation, the employees' and directors' compensation shall be distributed in the following order: the distributable profit of current year shall cover accumulated deficit first, if any, and then the remaining balance shall be distributed no less than 1% as employees' compensation, and no more than 2% as directors' remuneration for each profitable fiscal year. The employee compensation in the preceding paragraph may include employees of affiliated companies.

Test Research, Inc.  
Loans to others  
Year ended December 31, 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 December 31, 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 year ended December 31, 2020								Item	Value			
1	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	\$ 26,274	\$ 26,262	\$ 26,262	4.75%	Short-term financing	\$ -	Additional operating capital	\$ -	None	\$ -	\$ 570,219	\$ 1,140,439	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.  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 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)		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.	TRI Electronic (Shenzhen) Limited	Second-tier subsidiary	Sales	\$ 376,366	8%	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	Accounts receivable \$84,043	5%	None
Test Research, Inc.	TRI Electronic (Suzhou) Limited	Second-tier subsidiary	Sales	262,642	6%	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	Accounts receivable \$205,303	13%	None
									Other receivables \$102,701	87%	
TRI Electronic (Shenzhen) Limited	Test Research, Inc.	Parent company	Purchases	376,366	100%	90-120 days after acceptance	Determined by the parent company	90-120 days after acceptance	Accounts payable \$84,043	76%	None
TRI Electronic (Suzhou) Limited	Test Research, Inc.	Parent company	Purchases	262,642	100%	90-120 days after acceptance	Determined by the parent company	90-120 days after acceptance	Accounts payable \$205,303	98%	None

Test Research, Inc.  
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more  
Year ended December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 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	\$ 308,004	0.54	\$ 101,970	In the process of collection	\$ -	\$ -

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

Test Research, Inc.  
Significant inter-company transactions during the reporting period  
Year ended December 31, 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	\$ 262,642	Note 3	5
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Sales revenue	376,366	Note 3	8
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	Sales revenue	22,588	Note 8	-
0	Test Research, Inc.	TEST RESEARCH USA, INC.	1	Sales revenue	48,103	Note 8	1
0	Test Research, Inc.	TRI KOREA CO., Ltd.	1	Sales revenue	14,930	Note 8	-
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Accounts receivable	103,333	Note 3	3
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Accounts receivable	84,043	Note 3	1
0	Test Research, Inc.	TRI KOREA CO., Ltd.	1	Accounts receivable	19,125	Note 8	-
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Other receivables	102,701	Note 3	1
1	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Service revenue	140,492	Note 6 and 7	-
2	TRI Electronic (Suzhou) Limited	Test Research, Inc.	2	Service revenue	51,061	Note 6 and 7	-
1	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Accounts receivable	13,455	Note 6 and 7	-
3	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	26,262	Note 5	-
4	TEST RESEARCH USA, INC.	Test Research, Inc.	2	Service revenue	33,751	Note 6	1
5	TRI TEST RESEARCH EUROPE GMBH	Test Research, Inc.	2	Service revenue	21,578	Note 6	-
6	TRI MALAYSIA SDN. BHD	Test Research, Inc.	2	Service revenue	12,935	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.  
Information on investees  
Year ended December 31, 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 December 31, 2020			Investment income		Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2020	(loss) recognised by the Company for the year ended December 31, 2020	
Test Research, Inc.	TRI INVESTMENTS LIMITED	Samoa	Investment holdings	\$ 219,811	\$ 219,811	6,724,109	100	\$ 768,434	\$ 107,623	\$ 109,056	Note 2
Test Research, Inc.	DOLI TRADING LIMITED	British Virgin Islands	Trading	131,973	131,973	-	-	-	-	12,191	Note 2
Test Research, Inc.	TEST RESEARCH USA, INC.	United States	Trading	61,299	61,299	1,518,935	100	56,886	13,098	13,098	None
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	Germany	Trading	17,679	17,679	-	100	20,650	( 10,967)	( 10,967)	Note 1
Test Research, Inc.	TRI JAPAN CORPORATION	Japan	Trading	10,750	10,750	720	100	8,615	( 6,410)	( 6,410)	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	2,066	2,066	1,000,000	100	19,540	4,219	4,219	None
Test Research, Inc.	TRI KOREA CO., Ltd.	South Korea	Trading	10,591	-	80,000	100	14,200	3,996	3,487	Note 2
TRI MALAYSIA SDN. BHD	TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED	Vietnam	Trading	3,812	-	-	100	3,812	-	-	None

Note 1: A limited liability company.

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

Test Research, Inc.  
Information on investments in Mainland China - Basic information  
Year ended December 31, 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 year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 3)	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company for the year ended December 31, 2020 (Note 2(2)B.)	Book value of investments in Mainland China as of December 31, 2020 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	\$ 86,864	2	\$ 21,360	\$ -	\$ -	\$ 21,360	\$ 79,823	100	\$ 79,823	\$ 601,078	\$ -	
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	73,732	2	56,960	-	-	56,960	9,459	100	9,459	91,977	-	
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	111,072	2	111,072	-	-	111,072	( 554)	100	( 554)	73,142	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 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.	\$ 189,392		\$ 276,688		\$ 3,421,316								

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, 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. Others.

Note 3: The amount was originally denominated in USD and was translated to NTD at the exchange rate (1:28.48) 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.  
Major shareholders information  
December 31, 2020

Table 7

Name of major shareholders	Shares	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.