

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR 21000122

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Test Research, Inc. and subsidiaries (the "Group") as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

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

Basis for qualified conclusion

As explained in Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent auditors. Total assets of these subsidiaries amounted to NT\$1,644,610 thousand and NT\$1,308,428 thousand, constituting 21% and 19% of the consolidated total assets as at September 30, 2021 and 2020, respectively, total liabilities amounted to NT\$152,724 thousand and NT\$107,170 thousand, constituting 8% and 8% of the consolidated total liabilities as at September 30,

2021 and 2020, respectively, and total comprehensive income amounted to NT\$69,546 thousand, NT\$24,987 thousand, NT\$201,352 thousand and NT\$72,517 thousand, constituting 24%, 8%, 22% and 8% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Pan, Hui-Lin

Yen, Yu-Fun

For and on behalf of PricewaterhouseCoopers, Taiwan

November 3, 2021

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

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,026,075	13	\$ 1,560,909	22	\$ 976,932	14
1136	Current financial assets at amortised cost	6(2)	290,345	4	231,422	3	228,053	3
1150	Notes receivable, net	6(3)	89,906	1	72,840	1	68,880	1
1170	Accounts receivable, net	6(3)	2,371,017	30	1,846,509	27	2,352,906	34
1200	Other receivables		20,031	-	20,850	-	25,389	1
130X	Inventory	6(4)	1,662,128	21	934,729	13	987,529	14
1470	Other current assets		59,294	1	28,258	1	24,990	-
11XX	Total current assets		<u>5,518,796</u>	<u>70</u>	<u>4,695,517</u>	<u>67</u>	<u>4,664,679</u>	<u>67</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	2,165,802	28	2,131,960	31	2,134,563	31
1755	Right-of-use assets	6(6)	52,774	1	44,109	1	48,630	1
1780	Intangible assets		26,063	-	24,807	-	19,111	-
1840	Deferred income tax assets		76,491	1	90,620	1	77,570	1
1900	Other non-current assets		10,100	-	10,290	-	10,357	-
15XX	Total non-current assets		<u>2,331,230</u>	<u>30</u>	<u>2,301,786</u>	<u>33</u>	<u>2,290,231</u>	<u>33</u>
1XXX	Total assets		<u>\$ 7,850,026</u>	<u>100</u>	<u>\$ 6,997,303</u>	<u>100</u>	<u>\$ 6,954,910</u>	<u>100</u>

(Continued)

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Contract liabilities - current	6(12)	\$ 37,103	1	\$ 24,302	1	\$ 22,289	-
2150	Notes payable		40,780	1	16,782	-	24,276	-
2170	Accounts payable		1,190,946	15	494,597	7	671,774	10
2200	Other payables	6(7)	270,064	3	300,303	5	266,154	4
2230	Current income tax liabilities		129,991	2	143,357	2	142,419	2
2280	Current lease liabilities		22,430	-	17,293	-	19,556	-
2300	Other current liabilities		9,648	-	7,859	-	6,807	-
21XX	Total current liabilities		<u>1,700,962</u>	<u>22</u>	<u>1,004,493</u>	<u>15</u>	<u>1,153,275</u>	<u>16</u>
Non-current liabilities								
2550	Provisions for liabilities - non-current		38,087	1	41,343	1	42,306	1
2570	Deferred income tax liabilities		186,345	2	160,147	2	121,510	2
2580	Non-current lease liabilities		30,093	-	26,215	-	28,333	-
2600	Other non-current liabilities	6(8)	57,748	1	62,911	1	59,947	1
25XX	Total non-current liabilities		<u>312,273</u>	<u>4</u>	<u>290,616</u>	<u>4</u>	<u>252,096</u>	<u>4</u>
2XXX	Total liabilities		<u>2,013,235</u>	<u>26</u>	<u>1,295,109</u>	<u>19</u>	<u>1,405,371</u>	<u>20</u>
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(9)	2,362,160	30	2,362,160	34	2,362,160	34
Capital surplus								
3200	Capital surplus	6(10)	53,290	-	53,290	1	53,290	1
Retained earnings								
3310	Legal reserve	6(11)	1,415,311	18	1,306,390	18	1,306,390	19
3320	Special reserve		57,209	1	67,270	1	67,270	1
3350	Unappropriated retained earnings		2,023,389	26	1,970,293	28	1,834,447	26
Other equity interest								
3400	Other equity interest		(74,568)	(1)	(57,209)	(1)	(74,018)	(1)
31XX	Equity attributable to owners of the parent		<u>5,836,791</u>	<u>74</u>	<u>5,702,194</u>	<u>81</u>	<u>5,549,539</u>	<u>80</u>
3XXX	Total equity		<u>5,836,791</u>	<u>74</u>	<u>5,702,194</u>	<u>81</u>	<u>5,549,539</u>	<u>80</u>
3X2X	Total liabilities and equity		<u>\$ 7,850,026</u>	<u>100</u>	<u>\$ 6,997,303</u>	<u>100</u>	<u>\$ 6,954,910</u>	<u>100</u>

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2021		2020		2021		2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(12)	\$ 1,385,301	100	\$ 1,358,567	100	\$ 4,285,807	100	\$ 4,008,172	100
5000	Operating costs	6(4)(15)(16)	(638,068)	(46)	(614,088)	(45)	(1,965,033)	(46)	(1,799,562)	(45)
5950	Gross margin		<u>747,233</u>	<u>54</u>	<u>744,479</u>	<u>55</u>	<u>2,320,774</u>	<u>54</u>	<u>2,208,610</u>	<u>55</u>
	Operating expenses	6(15)(16)								
6100	Selling expenses		(198,098)	(14)	(199,807)	(15)	(601,402)	(14)	(547,865)	(14)
6200	General and administrative expenses		(39,090)	(3)	(37,385)	(3)	(122,950)	(3)	(117,196)	(3)
6300	Research and development expenses		(125,672)	(9)	(85,529)	(6)	(359,855)	(8)	(298,883)	(7)
6450	Expected credit impairment gain (loss)	12(2)	(834)	-	(2,690)	-	3,993	-	(6,928)	-
6000	Total operating expenses		(363,694)	(26)	(325,411)	(24)	(1,080,214)	(25)	(970,872)	(24)
6900	Operating profit		<u>383,539</u>	<u>28</u>	<u>419,068</u>	<u>31</u>	<u>1,240,560</u>	<u>29</u>	<u>1,237,738</u>	<u>31</u>
	Non-operating income and expenses									
7100	Interest income		1,810	-	1,512	-	6,079	-	5,825	-
7010	Other income	6(13)	5,864	1	4,208	-	12,397	1	14,047	-
7020	Other gains and losses	6(14)	3,916	-	(26,573)	(2)	(34,847)	(1)	(55,577)	(1)
7050	Finance costs	6(6)	(410)	-	(378)	-	(1,188)	-	(979)	-
7000	Total non-operating income and expenses		<u>11,180</u>	<u>1</u>	<u>(21,231)</u>	<u>(2)</u>	<u>(17,559)</u>	<u>-</u>	<u>(36,684)</u>	<u>(1)</u>
7900	Profit before income tax		<u>394,719</u>	<u>29</u>	<u>397,837</u>	<u>29</u>	<u>1,223,001</u>	<u>29</u>	<u>1,201,054</u>	<u>30</u>
7950	Income tax expense	6(17)	(106,210)	(8)	(86,747)	(6)	(291,532)	(7)	(247,686)	(6)
8200	Profit for the period		<u>\$ 288,509</u>	<u>21</u>	<u>\$ 311,090</u>	<u>23</u>	<u>\$ 931,469</u>	<u>22</u>	<u>\$ 953,368</u>	<u>24</u>
	Other comprehensive income									
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		(\$ 2,864)	-	\$ 14,533	1	(\$ 21,699)	(1)	(\$ 8,435)	-
8399	Income tax relating to the components of other comprehensive income (loss) that will be reclassified to profit or loss	6(17)	<u>573</u>	<u>-</u>	<u>(2,907)</u>	<u>-</u>	<u>4,340</u>	<u>-</u>	<u>1,687</u>	<u>-</u>
8300	Total other comprehensive income (loss) for the period		<u>(\$ 2,291)</u>	<u>-</u>	<u>\$ 11,626</u>	<u>1</u>	<u>(\$ 17,359)</u>	<u>(1)</u>	<u>(\$ 6,748)</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 286,218</u>	<u>21</u>	<u>\$ 322,716</u>	<u>24</u>	<u>\$ 914,110</u>	<u>21</u>	<u>\$ 946,620</u>	<u>24</u>
	Profit attributable to:									
8610	Owners of the parent		<u>\$ 288,509</u>	<u>21</u>	<u>\$ 311,090</u>	<u>23</u>	<u>\$ 931,469</u>	<u>22</u>	<u>\$ 953,368</u>	<u>24</u>
	Comprehensive income attributable to:									
8710	Owners of the parent		<u>\$ 286,218</u>	<u>21</u>	<u>\$ 322,716</u>	<u>24</u>	<u>\$ 914,110</u>	<u>21</u>	<u>\$ 946,620</u>	<u>24</u>
	Earnings per share (in dollars)	6(18)								
9750	Basic earnings per share		<u>\$ 1.22</u>		<u>\$ 1.32</u>		<u>\$ 3.94</u>		<u>\$ 4.04</u>	
9850	Diluted earnings per share		<u>\$ 1.22</u>		<u>\$ 1.32</u>		<u>\$ 3.94</u>		<u>\$ 4.03</u>	

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent							
		Capital Reserves			Retained Earnings				
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Donated assets received	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
<u>2020</u>									
		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,213,046	\$ 41,795	\$ 1,779,411	(\$ 67,270)	\$ 5,382,432
		-	-	-	-	-	953,368	-	953,368
		-	-	-	-	-	-	(6,748)	(6,748)
		-	-	-	-	-	953,368	(6,748)	946,620
	6(11)	-	-	-	93,344	-	(93,344)	-	-
		-	-	-	-	25,475	(25,475)	-	-
		-	-	-	-	-	(779,513)	-	(779,513)
		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,306,390	\$ 67,270	\$ 1,834,447	(\$ 74,018)	\$ 5,549,539
<u>2021</u>									
		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,306,390	\$ 67,270	\$ 1,970,293	(\$ 57,209)	\$ 5,702,194
		-	-	-	-	-	931,469	-	931,469
		-	-	-	-	-	-	(17,359)	(17,359)
		-	-	-	-	-	931,469	(17,359)	914,110
	6(11)	-	-	-	108,921	-	(108,921)	-	-
		-	-	-	-	(10,061)	10,061	-	-
		-	-	-	-	-	(779,513)	-	(779,513)
		\$ 2,362,160	\$ 51,874	\$ 1,416	\$ 1,415,311	\$ 57,209	\$ 2,023,389	(\$ 74,568)	\$ 5,836,791

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,223,001	\$ 1,201,054
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	92,244	85,483
Amortisation	6(15)	10,971	8,985
Expected credit impairment (gain) loss	12(2)	(3,993)	6,928
Interest income		(6,079)	(5,825)
Interest expense	6(6)	1,188	979
Gain on disposal of property, plant and equipment	6(14)	(3,465)	(3,849)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(17,066)	(43,537)
Accounts receivable		(520,515)	(425,326)
Other receivables		180	(4,993)
Inventory		(779,302)	(302,426)
Other current assets		(31,289)	11,904
Changes in operating liabilities			
Contract liabilities		12,801	(26,405)
Notes payable		23,998	(2,122)
Accounts payable		696,349	216,028
Other payables		(30,239)	(10,461)
Other current liabilities		1,789	(2,136)
Provisions for liabilities		(3,256)	7,008
Other non-current liabilities		(5,163)	(1,411)
Cash inflow generated from operations		662,154	709,878
Interest received		6,718	6,445
Interest paid		(1,188)	(979)
Income taxes paid		(260,231)	(195,409)
Net cash flows from operating activities		<u>407,453</u>	<u>519,935</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortised cost		(58,923)	(23,276)
Decrease in other financial assets		-	2,998
Acquisition of property, plant and equipment	6(5)	(63,089)	(23,819)
Proceeds from disposal of property, plant and equipment		8,425	14,351
Acquisition of intangible assets		(12,227)	(7,855)
Decrease in refundable deposits		190	1,234
Net cash flows used in investing activities		<u>(125,624)</u>	<u>(36,367)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Lease principal repayment		(20,548)	(20,815)
Payment of cash dividends	6(11)	(779,513)	(779,513)
Net cash flows used in financing activities		<u>(800,061)</u>	<u>(800,328)</u>
Effect due to changes in exchange rate		(16,602)	(6,838)
Net decrease in cash and cash equivalents		(534,834)	(323,598)
Cash and cash equivalents at beginning of period		1,560,909	1,300,530
Cash and cash equivalents at end of period		<u>\$ 1,026,075</u>	<u>\$ 976,932</u>

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

TEST RESEARCH, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on November 3, 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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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 Group's financial condition and financial performance based on the Group's assessment.	

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the

Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

A. Except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the 2020 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statement:

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			September 30, 2021	December 31, 2020	
Test Research, Inc.	DOLI TRADING LIMITED (DOLI)	Trading	-	-	Note 1
Test Research, Inc.	TEST RESEARCH USA INC. (TRU)	Trading	100	100	-
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH (TRE)	Trading	100	100	-
Test Research, Inc.	TRI JAPAN CORPORATION (TRJ)	Trading	100	100	-
Test Research, Inc.	TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM)	Trading	100	100	-
Test Research, Inc.	TRI KOREA CO., LTD. (TRK)	Trading	100	100	-

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			September 30, 2021	December 31, 2020	
Test Research, Inc.	TRI INVESTMENTS LIMITED (TIL)	Investment holdings	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shenzhen) Limited (TRI (SHENZHEN))	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Suzhou) Limited (TRI (SUZHOU))	Manufacture and sales of test equipment	100	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shanghai) Limited (TRI (SHANGHAI))	Import and export of equipment, consulting and after-sale maintenance service of equipment	100	100	-
TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM)	TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED (TRV)	Trading	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	% of Ownership		Description
			September 30, 2020		
Test Research, Inc.	DOLI TRADING LIMITED (DOLI)	Trading	100		Note 1
Test Research, Inc.	TEST RESEARCH USA INC. (TRU)	Trading	100		-
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH (TRE)	Trading	100		-
Test Research, Inc.	TRI JAPAN CORPORATION (TRJ)	Trading	100		-
Test Research, Inc.	TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM)	Trading	100		-
Test Research, Inc.	TRI KOREA CO., LTD. (TRK)	Trading	100		-
Test Research, Inc.	TRI INVESTMENTS LIMITED (TIL)	Investment holdings	100		-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shenzhen) Limited (TRI (SHENZHEN))	Manufacture and sales of test equipment	100		-

Name of investor	Name of subsidiary	Main business activities	% of Ownership	
			September 30, 2020	Description
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Suzhou) Limited (TRI (SUZHOU))	Manufacture and sales of test equipment	100	-
TRI INVESTMENTS LIMITED (TIL)	TRI Electronic (Shanghai) Limited (TRI (SHANGHAI))	Import and export of equipment, consulting and after-sale maintenance service of equipment	100	-

Note 1: On September 9, 2020, the Board of Directors of DOLI TRADING LIMITED (DOLI) resolved and approved to dissolve the company and the liquidation was completed on November 5, 2020.

Note 2: TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED (TRV) was established on October 30, 2020.

The financial statements of the abovementioned subsidiaries included in the Group's consolidated financial statements for the nine months ended September 30, 2021 and 2020 were not reviewed by independent auditors as these subsidiaries did not meet the definition of a significant subsidiary.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

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

(5) Income tax

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

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

There have been no significant changes as of September 30, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand and revolving funds	\$ 400	\$ 1,378	\$ 1,261
Checking accounts and demand deposits	575,675	817,104	667,679
Time deposits	100,000	2,428	-
Short-term notes and bills	350,000	739,999	307,992
	<u>\$ 1,026,075</u>	<u>\$ 1,560,909</u>	<u>\$ 976,932</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Time deposits maturing over three months	\$ 290,345	\$ 231,422	\$ 228,053

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

(3) Notes and accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 89,906	\$ 72,840	\$ 68,880
Accounts receivable	\$ 2,377,322	\$ 1,857,149	\$ 2,367,051
Less: Allowance for uncollectible accounts	(6,305)	(10,640)	(14,145)
	<u>\$ 2,371,017</u>	<u>\$ 1,846,509</u>	<u>\$ 2,352,906</u>

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 2,078,200	\$ 89,906	\$ 1,474,156	\$ 72,840	\$ 2,093,479	\$ 68,880
Past due						
Up to 60 days	195,719	-	237,903	-	171,405	-
61 to 90 days	16,581	-	33,441	-	67,112	-
91 to 180 days	72,552	-	95,778	-	22,447	-
181 to 365 days	6,912	-	8,165	-	4,667	-
Over 365 days	7,358	-	7,706	-	7,941	-
	<u>\$ 2,377,322</u>	<u>\$ 89,906</u>	<u>\$ 1,857,149</u>	<u>\$ 72,840</u>	<u>\$ 2,367,051</u>	<u>\$ 68,880</u>

The above ageing analysis was based on past due date.

B. As at September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts (including notes receivable) with customers amounted to \$1,967,108.

C. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$89,906, \$72,840 and \$68,880, and accounts receivable were \$2,371,017, \$1,846,509 and \$2,352,906, respectively.

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

(4) Inventories

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,610,986	(\$ 120,984)	\$ 1,490,002
Work in progress	160,775	(171)	160,604
Finished goods	8,805	(85)	8,720
Merchandise	5,142	(2,340)	2,802
	<u>\$ 1,785,708</u>	<u>(\$ 123,580)</u>	<u>\$ 1,662,128</u>
	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 915,509	(\$ 118,064)	\$ 797,445
Work in progress	86,240	(8)	86,232
Finished goods	14,293	(85)	14,208
Merchandise	39,393	(2,549)	36,844
	<u>\$ 1,055,435</u>	<u>(\$ 120,706)</u>	<u>\$ 934,729</u>

	September 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 952,074	(\$ 116,628)	\$ 835,446
Work in progress	110,696	(408)	110,288
Finished goods	8,064	(28)	8,036
Merchandise	36,642	(2,883)	33,759
	<u>\$ 1,107,476</u>	<u>(\$ 119,947)</u>	<u>\$ 987,529</u>

The cost of inventories recognised as expense for the period:

	Three months ended September 30	
	2021	2020
Cost of goods sold	\$ 621,543	\$ 597,438
Loss on slow-moving inventories	10,152	13,988
	<u>\$ 631,695</u>	<u>\$ 611,426</u>

	Nine months ended September 30	
	2021	2020
Cost of goods sold	\$ 1,938,978	\$ 1,748,083
Loss on slow-moving inventories	13,043	28,688
	<u>\$ 1,952,021</u>	<u>\$ 1,776,771</u>

(5) Property, plant and equipment

	2021							
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Unfinished construction	Total
<u>At January 1</u>								
Cost	\$ 1,166,021	\$ 921,538	\$ 414,098	\$ 6,752	\$ 222,402	\$ 164,463	\$ 40	\$ 2,895,314
Accumulated depreciation	-	(249,696)	(238,558)	(3,358)	(150,498)	(121,244)	-	(763,354)
	<u>\$ 1,166,021</u>	<u>\$ 671,842</u>	<u>\$ 175,540</u>	<u>\$ 3,394</u>	<u>\$ 71,904</u>	<u>\$ 43,219</u>	<u>\$ 40</u>	<u>\$ 2,131,960</u>
Opening net book								
amount as at January 1	\$ 1,166,021	\$ 671,842	\$ 175,540	\$ 3,394	\$ 71,904	\$ 43,219	\$ 40	\$ 2,131,960
Additions	-	-	11,654	-	7,455	11,248	32,732	63,089
Transfers from inventories	-	-	28,901	-	17,641	5,361	-	51,903
Disposals	-	-	(4,411)	(1)	(445)	(103)	-	(4,960)
Depreciation charge	-	(13,575)	(24,736)	(628)	(21,059)	(11,698)	-	(71,696)
Net exchange differences	-	-	(3,919)	(132)	(46)	(397)	-	(4,494)
Closing net book								
amount as at September 30	<u>\$ 1,166,021</u>	<u>\$ 658,267</u>	<u>\$ 183,029</u>	<u>\$ 2,633</u>	<u>\$ 75,450</u>	<u>\$ 47,630</u>	<u>\$ 32,772</u>	<u>\$ 2,165,802</u>
<u>At September 30</u>								
Cost	\$ 1,166,021	\$ 921,538	\$ 454,006	\$ 6,445	\$ 230,661	\$ 178,179	\$ 32,772	\$ 2,989,622
Accumulated depreciation	-	(263,271)	(270,977)	(3,812)	(155,211)	(130,549)	-	(823,820)
	<u>\$ 1,166,021</u>	<u>\$ 658,267</u>	<u>\$ 183,029</u>	<u>\$ 2,633</u>	<u>\$ 75,450</u>	<u>\$ 47,630</u>	<u>\$ 32,772</u>	<u>\$ 2,165,802</u>

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

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

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

(6) Leasing arrangements – lessee

- A. The Group leases offices and rental contracts are typically made for periods from 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets shall not be used as security for borrowing purposes.
- B. Short-term leases pertain to leases of dormitories and company cars with a lease term of not more than 12 months.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 52,774</u>	<u>\$ 44,109</u>	<u>\$ 48,630</u>
		<u>Three months ended September 30</u>	
		<u>2021</u>	<u>-</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings		<u>\$ 7,255</u>	<u>\$ 7,241</u>
		<u>Nine months ended September 30</u>	
		<u>2021</u>	<u>-</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings		<u>\$ 20,548</u>	<u>\$ 19,963</u>

- D. For the nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$30,053 and \$6,096, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 410</u>	<u>\$ 378</u>
Expense on short-term lease contracts	<u>\$ 2,465</u>	<u>\$ 3,429</u>
Lease expense of low-value assets	<u>\$ 77</u>	<u>\$ -</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 1,188</u>	<u>\$ 979</u>
Expense on short-term lease contracts	<u>\$ 8,038</u>	<u>\$ 6,398</u>
Lease expense of low-value assets	<u>\$ 231</u>	<u>\$ -</u>

- F. For the three months and nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$10,207, \$11,096, \$30,005 and \$28,192, respectively.

(7) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Salaries and bonus payable	\$ 170,869	\$ 193,065	\$ 165,094
Employees' compensation and directors' remuneration payable	28,107	32,731	29,079
Others	71,088	74,507	71,981
	<u>\$ 270,064</u>	<u>\$ 300,303</u>	<u>\$ 266,154</u>

(8) Pensions

A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$48, \$111, \$142 and \$332 for the three months and nine months ended September 30, 2021 and 2020, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2022 amount to \$3,622.

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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.
- (b) Other overseas companies have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees' salaries and wages. Other than the monthly contributions, the Group has no

further obligations.

- (c) For the aforementioned pension plan, the Group recognised pension costs of \$7,043, \$6,692, \$20,776 and \$19,584 for the three months and nine months ended September 30, 2021 and 2020, respectively.

(9) Share capital

The Company's authorised capital was \$2,500,000. As of September 30, 2021, the Company's issued and outstanding capital was \$2,362,160. All proceeds from shares issued have been collected.

(10) Capital surplus

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

(11) Retained earnings

- A. Under the Company's Articles of Incorporation, the dividend policy of the Company is based on the Company's future capital expenditure budget and capital requirements. Dividends shall be appropriated from accumulated distributable earnings, and the distribution amount shall not be lower than 60% of accumulated distributable earnings, of which cash dividends shall not be lower than 50% of the total dividends distributed. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After the provision or reversal of special reserve, the remaining earnings constitute the distributable earnings of the current year. The appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders at the shareholders' meeting.
- B. The appropriations of 2020 earnings had been proposed by the Board of Directors on July 7, 2021 and the appropriations of 2019 earnings had been resolved at the stockholders' meeting on May 27, 2020. Details are summarised below:

	Years ended December 31			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 108,921		\$ 93,344	
Special reserve	(\$ 10,061)		\$ 25,475	
Cash dividends	\$ 779,513	\$ 3.3	\$ 779,513	\$ 3.3

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in-capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with 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.
- E. In 2021, the shareholders' meeting was postponed due to the announcement of the Financial Supervisory Commission (FSC) "Measures for Postponement of Shareholders' Meetings of Public Companies in Response to the Epidemic". As of September 30, 2021, the Company has not yet held the shareholders' meeting.

(12) Sales revenue

	Three months ended September 30	
	2021	2020
Revenue from contracts with customers	\$ 1,385,301	\$ 1,358,567
	Nine months ended September 30	
	2021	2020
Revenue from contracts with customers	\$ 4,285,807	\$ 4,008,172

A. Disaggregation of revenue from contracts with customers

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

	Three months ended September 30	
	2021	2020
Asia	\$ 1,215,417	\$ 1,205,728
America	118,721	90,430
Europe	31,650	53,685
Others	19,513	8,724
	\$ 1,385,301	\$ 1,358,567

	Nine months ended September 30	
	2021	2020
Asia	\$ 3,830,054	\$ 3,709,835
America	314,850	165,733
Europe	99,207	115,857
Others	41,696	16,747
	<u>\$ 4,285,807</u>	<u>\$ 4,008,172</u>

Note: The Group manages geographical information based on regions where goods are delivered starting from the third quarter of 2021. Accordingly, the presentation of information for the first half of 2021 has been amended for the comparative purpose.

B. Contract liabilities

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

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Contract liabilities	<u>\$ 37,103</u>	<u>\$ 24,302</u>	<u>\$ 22,289</u>	<u>\$ 48,694</u>

For the three months and nine months ended September 30, 2021 and 2020, the Group's contract liabilities on January 1, 2021 and 2020 were realised to revenue amounting to \$223, \$0, \$24,210 and \$48,644, respectively.

(13) Other income

	Three months ended September 30	
	2021	2020
Rental income	\$ 774	\$ 3,157
Other income	5,090	1,051
	<u>\$ 5,864</u>	<u>\$ 4,208</u>

	Nine months ended September 30	
	2021	2020
Rental income	\$ 4,722	\$ 7,909
Other income	7,675	6,138
	<u>\$ 12,397</u>	<u>\$ 14,047</u>

(14) Other gains and losses

	Three months ended September 30	
	2021	2020
Gains on disposal of property, plant and equipment	\$ 1,173	\$ 3,443
Net currency exchange gains (losses)	2,785	(30,015)
Other losses	(42)	(1)
	<u>\$ 3,916</u>	<u>(\$ 26,573)</u>

	Nine months ended September 30	
	2021	2020
Gains on disposal of property, plant and equipment	\$ 3,465	\$ 3,849
Net currency exchange losses	(38,227)	(59,423)
Other losses	(85)	(3)
	<u>(\$ 34,847)</u>	<u>(\$ 55,577)</u>

(15) Expenses by nature

	Three months ended September 30	
	2021	2020
Employee benefit expense	\$ 274,891	\$ 266,605
Depreciation charges on property, plant and equipment and right-of-use assets	31,503	30,772
Amortisation charges on intangible assets	3,828	3,003
	<u>\$ 310,222</u>	<u>\$ 300,380</u>

	Nine months ended September 30	
	2021	2020
Employee benefit expense	\$ 826,253	\$ 763,102
Depreciation charges on property, plant and equipment and right-of-use assets	92,244	85,483
Amortisation charges on intangible assets	10,971	8,985
	<u>\$ 929,468</u>	<u>\$ 857,570</u>

(16) Employee benefit expense

	Three months ended September 30	
	2021	2020
Wages and salaries	\$ 233,972	\$ 234,624
Labour and health insurance fees	22,463	15,156
Pension costs	7,091	6,803
Other personnel expenses	11,365	10,022
	<u>\$ 274,891</u>	<u>\$ 266,605</u>

	Nine months ended September 30	
	2021	2020
Wages and salaries	\$ 709,728	\$ 672,838
Labour and health insurance fees	63,415	42,925
Pension costs	20,918	19,916
Other personnel expenses	32,192	27,423
	<u>\$ 826,253</u>	<u>\$ 763,102</u>

- A. In accordance with the amendments of the Articles of Incorporation, which was approved by the shareholders during the shareholders' meeting on May 29, 2019, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three months and nine months ended September 30, 2021 and 2020, employees' compensation was accrued at \$5,793, \$6,537, \$18,551 and \$19,192, respectively; while directors' remuneration was accrued at \$2,984, \$3,368, \$9,556 and \$9,887, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year for the nine months ended September 30, 2021 and 2020 and the percentage as prescribed in the Company's Articles of Incorporation.

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

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

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profit for the period	\$ 78,536	\$ 80,441
Prior year income tax underestimation	(6)	-
Tax on undistributed earnings	10,542	-
Total current tax	<u>89,072</u>	<u>80,441</u>
Deferred tax:		
Origination and reversal of temporary differences	17,138	6,306
Total deferred tax	<u>17,138</u>	<u>6,306</u>
Income tax expense	<u>\$ 106,210</u>	<u>\$ 86,747</u>

	Nine months ended September 30	
	2021	2020
Current tax:		
Current tax on profit for the period	\$ 229,311	\$ 225,975
Prior year income tax underestimation	7,012	-
Tax on undistributed earnings	10,542	2,018
Total current tax	<u>246,865</u>	<u>227,993</u>
Deferred tax:		
Origination and reversal of temporary differences	44,667	19,693
Total deferred tax	<u>44,667</u>	<u>19,693</u>
Income tax expense	<u>\$ 291,532</u>	<u>\$ 247,686</u>

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

	Three months ended September 30	
	2021	2020
Currency translation differences	(\$ 573)	\$ 2,907

	Nine months ended September 30	
	2021	2020
Currency translation differences	(\$ 4,340)	(\$ 1,687)

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

(18) Earnings per share

	<u>Three months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 288,509	236,216	\$ <u>1.22</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>104</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 288,509</u>	<u>236,320</u>	<u>\$ 1.22</u>
	<u>Three months ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 311,090	236,216	\$ <u>1.32</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>115</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 311,090</u>	<u>236,331</u>	<u>\$ 1.32</u>

Nine months ended September 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 931,469	236,216	<u>\$ 3.94</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	405	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 931,469</u>	<u>236,621</u>	<u>\$ 3.94</u>

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

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

(2) Key management compensation

	Three months ended September 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 12,618	\$ 7,020
Post-employment benefits	355	194
	<u>\$ 12,973</u>	<u>\$ 7,214</u>

	Nine months ended September 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 39,496	\$ 28,897
Post-employment benefits	980	582
	<u>\$ 40,476</u>	<u>\$ 29,479</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. PLEGGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2021	December 31, 2020	September 30, 2020	
Property, plant and equipment				
- Land	\$ 388,990	\$ 388,990	\$ 388,990	Security for lines of credit
- Buildings	49,347	50,542	50,940	"
	<u>\$ 438,337</u>	<u>\$ 439,532</u>	<u>\$ 439,930</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at amortised cost			
Cash and cash equivalents	\$ 1,026,075	\$ 1,560,909	\$ 976,932
Financial assets at amortised cost	290,345	231,422	228,053
Notes receivable	89,906	72,840	68,880
Accounts receivable	2,371,017	1,846,509	2,352,906
Other receivables	20,031	20,850	10,311
Guarantee deposits paid (shown as "other non-current assets")	10,100	10,290	10,357
	<u>\$ 3,807,474</u>	<u>\$ 3,742,820</u>	<u>\$ 3,647,439</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Notes payable	\$ 40,780	\$ 16,782	\$ 24,276
Accounts payable	1,190,946	494,597	671,774
Other payables	260,298	287,766	254,718
	<u>\$ 1,492,024</u>	<u>\$ 799,145</u>	<u>\$ 950,768</u>
Lease liabilities (including current portion)	<u>\$ 52,523</u>	<u>\$ 43,508</u>	<u>\$ 47,889</u>

B. Financial risk management policies

The Group adopts an overall risk management and control system to identify and measure a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. This allows the management of the Group 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 Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, RMB, JPY and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2021

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit of loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 50,172	27.85	\$ 1,397,290	1%	\$ 13,973	\$ -
RMB:NTD	98,889	4.31	425,717	1%	4,257	-
JPY:NTD	50,197	0.25	12,499	1%	125	-
<u>Non-monetary items</u>						
USD:NTD	2,037	27.85	56,722	1%	-	567
EUR:NTD	471	32.32	15,227	1%	-	152
JPY:NTD	60,416	0.25	15,044	1%	-	150
MYR:NTD	3,768	6.38	24,033	1%	-	240
KRW:NTD	642,454	0.02	15,226	1%	-	152
RMB:NTD	241,306	4.31	956,482	1%	-	9,565
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,312	27.85	\$ 92,239	1%	\$ 922	\$ -
RMB:NTD	5,015	4.31	21,590	1%	216	-
EUR:NTD	648	32.32	20,043	1%	200	-
JPY:NTD	168,796	0.25	42,030	1%	420	-

December 31, 2020

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit of loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 45,531	28.48	\$ 1,296,723	1%	\$ 12,967	\$ -
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	-
USD:KRW	718	1,077.16	20,449	1%	204	-

September 30, 2020

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity Analysis		
				Degree of variation	Effect on profit of loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 60,980	29.10	\$ 1,774,518	1%	\$ 17,745	\$ -
RMB:NTD	73,662	4.27	314,463	1%	3,145	-
JPY:NTD	81,122	0.28	22,357	1%	224	-
<u>Non-monetary items</u>						
USD:NTD	1,695	29.10	49,333	1%	-	493
EUR:NTD	677	34.15	23,117	1%	-	231
JPY:NTD	39,203	0.28	10,804	1%	-	108
MYR:NTD	2,476	6.70	16,601	1%	-	166
KRW:NTD	463,709	0.03	11,110	1%	-	111
RMB:NTD	184,182	4.27	786,273	1%	-	7,863
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 2,690	29.10	\$ 78,279	1%	\$ 783	\$ -
RMB:NTD	14,651	4.27	62,545	1%	625	-
JPY:NTD	83,198	0.28	22,929	1%	229	-

- iii. Total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020 amounted to (\$2,785), \$30,015, \$38,227 and \$59,423, respectively.

Price risk

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

Cash flow and fair value interest rate risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group's credit risk management policy is that for banks and financial institutions, only institutions with good credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. In accordance with the internal management policy of the Group, if the contract payments were past due over 120 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. In accordance with the internal management policy of the Group, the default occurs when the contract payments are past due over 365 days.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the modified approach using the provision matrix based on the loss rate methodology to estimate expected credit loss.
- vii. The Group writes off the financial assets, which cannot be reasonably expected to be

recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2021, December 31, 2020 and September 30, 2020, the provision matrix based on the loss rate methodology is as follows:

Group A:

	<u>Not past due</u>	<u>1~60 days past due</u>	<u>61~90 days past due</u>	<u>91~180 days past due</u>	<u>181~365 days past due</u>	<u>Over 365 days past due</u>	<u>Total</u>
<u>September 30, 2021</u>							
Expected loss rate	0.12%	1.5%	15%	25%	40%	60%-100%	
Total book value	\$ 589,576	\$ 9,439	\$ -	\$ 9,988	\$ 60	\$ 851	\$ 609,914
Loss allowance	698	141	-	2,497	24	851	4,211
	<u>Not past due</u>	<u>1~60 days past due</u>	<u>61~90 days past due</u>	<u>91~180 days past due</u>	<u>181~365 days past due</u>	<u>Over 365 days past due</u>	<u>Total</u>
<u>December 31, 2020</u>							
Expected loss rate	0.03%-0.43%	1.5%	15%	25%	40%	60%-100%	
Total book value	\$ 190,377	\$ 15,832	\$ -	\$ -	\$ 3,770	\$ 1,091	\$ 211,070
Loss allowance	821	237	-	-	1,508	987	3,553
	<u>Not past due</u>	<u>1~60 days past due</u>	<u>61~90 days past due</u>	<u>91~180 days past due</u>	<u>181~365 days past due</u>	<u>Over 365 days past due</u>	<u>Total</u>
<u>September 30, 2020</u>							
Expected loss rate	0.03%-0.54%	1.5%	15%	25%	40%	60%-100%	
Total book value	\$ 135,520	\$ 8,396	\$ -	\$ 16	\$ 7	\$ 1,406	\$ 145,345
Loss allowance	734	126	-	4	3	1,236	2,103

Group B:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Expected loss rate	0.03%-0.12%	0.03%-0.43%	0.03%-0.54%
Total book value	\$ 1,767,408	\$ 1,646,079	\$ 2,221,706
Loss allowance	2,094	7,087	12,042

Group A: Customers excluding Group B.

Group B: Domestic and foreign clients that have good operating conditions, high degree of financial transparency, proceeds of collections of transaction and are rated with optimised internal credit rating. The default possibility that the Group used the forecastability to adjust historical and timely information to assess was 0.03%, which was used to assess the default possibility of accounts receivable.

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

	<u>2021</u>	<u>2020</u>
At January 1	\$ 10,640	\$ 7,257
Provision for impairment	-	6,928
Reversal of impairment loss	(3,993)	-
Effect of exchange rate changes	(342)	(40)
At September 30	<u>\$ 6,305</u>	<u>\$ 14,145</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed and aggregated by the Group's treasury. Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 40,780	\$ -
Accounts payable	1,190,946	-
Other payables	260,298	-
Lease liabilities	28,416	24,035
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 16,782	\$ -
Accounts payable	494,597	-
Other payables	287,766	-
Lease liabilities	22,187	32,622
<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Notes payable	\$ 24,276	\$ -
Accounts payable	671,774	-
Other payables	254,717	-
Lease liabilities	23,403	30,552

(3) Fair value information

- A. The Group has no financial instruments measured at fair value by valuation method.
- B. The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable,

accounts payable and other payables are approximate to their fair values.

(4) Other matter

In response to the Covid-19 outbreak and the government's various pandemic prevention measures, the Group provided the applications of work from home for employees, and employees were advised to avoid movement between different sites as much as possible. Also, the Group has implemented several prevention control measures such as conducting meetings online and managing related issues accordingly. The pandemic had no significant impact on the Group's operations and business in the third quarter of 2021.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 2 to 4.

(4) Major shareholders information

Major shareholders information: Please refer to Table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

The accounting policies of the operating segments and the Group are the same. The Group uses the operating profit as the measurement for operating segment profit and the basis of performance assessment.

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

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

	Nine months ended September 30	
	2021	2020
Revenue from external customers	\$ 4,285,807	\$ 4,008,172
Segment profit	\$ 1,240,560	\$ 1,237,738

(4) Reconciliation for segment income (loss)

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

	Nine months ended September 30	
	2021	2020
Reportable segments income	\$ 1,240,560	\$ 1,237,738
Unallocated profit or loss:		
Non-operating income and expenses	(17,559)	(36,684)
Income before tax from continuing operations	\$ 1,223,001	\$ 1,201,054

Test Research, Inc. and Subsidiaries
Loans to others
Nine months ended September 30, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2021	Balance at September 30, 2021	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
													Item	Value			
1	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	Other receivables	Yes	\$ 26,304	\$ 25,830	\$ 25,830	4.75%	Short-term financing	\$ -	Additional operating capital	\$ -	None	\$ -	\$ 583,679	\$ 1,167,358	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 as follows:
Ceiling on total loans to others: 50% of the creditor's net worth. For business transactions, if for short-term financing purpose, the ceiling on loans shall not exceed 40% of the creditor's net worth. Limit to a single party is RMB 4 million. However, limit on loans for financing granted by and to subsidiaries with the same ultimate parent which directly or indirectly holds 100% of its voting shares shall not exceed 20% of parent company's net worth. Ceiling to the aforementioned single party shall not exceed 10% of parent company's net worth.

Test Research, Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2021

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	\$ 280,097	7%	90-120 days after acceptance and same with the third parties	40% to 70% of the standard price offered to third parties	90-120 days after acceptance and same with the third parties	Accounts receivable \$26,915	1%	None	
TRI Electronic (Shenzhen) Limited	Test Research, Inc.	Parent company	Purchases	280,097	100%	90-120 days after acceptance	Determined by the parent company	90-120 days after acceptance	Accounts payable \$26,637	54%	None	
Test Research, Inc.	TRI Electronic (Shenzhen) Limited	Second-tier subsidiary	Sales	423,302	11%	90-120 days after acceptance and same with the third parties	40% to 70% of the standard price offered to third parties	90-120 days after acceptance and same with the third parties	Accounts receivable \$393,598	21%	None	
TRI Electronic (Shenzhen) Limited	Test Research, Inc.	Parent company	Purchases	423,302	100%	90-120 days after acceptance	Determined by the parent company	90-120 days after acceptance	Accounts payable \$393,598	99%	None	

Test Research, Inc. and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
 Nine months ended September 30, 2021

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2021	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	\$ 393,598	1.88	\$ 139,305	In the process of collection	\$ 29,208	\$ -

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

Test Research, Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2021

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	\$ 423,302	Note 3	10
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Sales revenue	280,097	Note 3	7
0	Test Research, Inc.	TRI JAPAN CORPORATION	1	Sales revenue	10,136	Note 3	-
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Accounts receivable	325,267	Note 3	4
0	Test Research, Inc.	TRI Electronic (Shenzhen) Limited	1	Accounts receivable	26,915	Note 3	-
0	Test Research, Inc.	TRI Electronic (Suzhou) Limited	1	Other receivables	68,331	Note 8	1
1	TRI Electronic (Shanghai) Limited	TRI Electronic (Suzhou) Limited	3	Other receivables	25,830	Note 5	-
2	TRI Electronic (Shenzhen) Limited	Test Research, Inc.	2	Service revenue	96,912	Notes 6 and 7	2
3	TRI Electronic (Suzhou) Limited	Test Research, Inc.	2	Service revenue	95,166	Notes 6 and 7	2
1	TRI Electronic (Shanghai) Limited	Test Research, Inc.	2	Service revenue	12,178	Notes 6 and 7	-
4	TEST RESEARCH USA, INC.	Test Research, Inc.	2	Service revenue	28,581	Notes 6 and 7	1
5	TRI TEST RESEARCH EUROPE GMBH	Test Research, Inc.	2	Service revenue	19,362	Notes 6 and 7	-
6	TRI JAPAN CORPORATION	Test Research, Inc.	2	Service revenue	16,043	Notes 6 and 7	-

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 70% 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: Other receivables refer to reclassifications from past due receivables.

Note 9: The above inter-company transactions between companies within the Group are eliminated when preparing consolidated financial statements.

Test Research, Inc. and Subsidiaries
Information on investees
Nine months ended September 30, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss) of the investee for the nine months ended September 30, 2021	Investment income (loss) recognised by the Company for the nine months ended September 30, 2021	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Test Research, Inc.	TRI INVESTMENTS LIMITED	Samoa	Investment holdings	\$ 219,811	\$ 219,811	6,724,109	100	\$ 956,482	\$ 186,052	\$ 204,099	Note 2
Test Research, Inc.	TEST RESEARCH USA, INC.	United States	Trading	61,299	61,299	1,518,935	100	56,722	1,104	1,104	None
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH	Germany	Trading	17,679	17,679	-	100	15,227	(3,981)	(3,981)	Note 1
Test Research, Inc.	TRI JAPAN CORPORATION	Japan	Trading	10,750	10,750	720	100	15,044	7,569	7,569	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	2,066	2,066	1,000,000	100	24,033	5,092	5,092	None
Test Research, Inc.	TRI KOREA CO., Ltd.	South Korea	Trading	10,591	10,591	80,000	100	15,226	2,698	3,127	Note 2
TRI MALAYSIA SDN. BHD	TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED	Vietnam	Trading	4,153	4,153	-	100	8,601	4,094	4,094	None

Note 1: A limited liability company.

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

Test Research, Inc. and Subsidiaries
Information on investments in Mainland China - Basic information
Nine months ended September 30, 2021

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, 2021 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021 (Note 3)	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company for the nine months ended September 30, 2021 (Note 2(2)C.)	Book value of investments in Mainland China as of September 30, 2021 (Note 5)	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote	
					Remitted to Mainland China	Remitted back to Taiwan								
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	\$ 84,943	2	\$ 20,888	\$ -	\$ -	\$ 20,888	\$ 78,876	100	\$ 78,876	\$ 695,132	\$ -		
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	72,101	2	55,700	-	-	55,700	101,132	100	101,132	183,321	-		
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	108,615	2	108,615	-	-	108,615	6,044	100	6,044	78,029	-		
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021 (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.	\$ 185,203	\$ 276,688	\$ 3,502,075											

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) Based on the investees' financial statements which were not reviewed by auditors.

Note 2: In the 'Investment income (loss) recognised by the Company for the nine months ended September 30, 2021' 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. Based on the investees' financial statements which were not reviewed by auditors.

Note 3: The amount was originally denominated in USD and was translated to NTD at the exchange rate (1:27.85) prevailing at the balance sheet date.

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

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

Test Research, Inc. and Subsidiaries
Major shareholders information
September 30, 2021

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.