

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021

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 22000203

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 March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three 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\$1,863,109 thousand and NT\$1,403,062 thousand, constituting 22% and 19% of the consolidated total assets as at March 31, 2022 and 2021, respectively, total liabilities amounted to NT\$110,463 thousand and NT\$169,814 thousand, constituting 6% and 11% of the consolidated total liabilities as at March 31, 2022 and 2021, respectively, and total comprehensive income (loss) amounted to NT\$70,446 thousand and

NT\$80,442 thousand, constituting 11% and 28% of the consolidated total comprehensive income (loss) for the three 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 March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three 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

Huang, Pei-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

May 4, 2022

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
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| Assets | Notes | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | |
|---------------------------|---|----------------|---------------------|-------------------|---------------------|----------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 970,252 | 11 | \$ 1,226,378 | 15 | \$ 1,897,488 | 25 |
| 1136 | Current financial assets at amortised cost | 6(2) | 272,788 | 3 | 196,790 | 3 | 100,530 | 1 |
| 1150 | Notes receivable, net | 6(3) | 12,831 | - | 37,073 | 1 | 139,464 | 2 |
| 1170 | Accounts receivable, net | 6(3) | 3,138,707 | 36 | 2,333,311 | 29 | 2,035,281 | 27 |
| 1200 | Other receivables | | 23,463 | - | 32,136 | - | 23,878 | - |
| 130X | Inventory | 6(4) | 1,698,291 | 20 | 1,746,923 | 22 | 1,043,968 | 14 |
| 1470 | Other current assets | | 42,914 | 1 | 35,517 | - | 43,279 | 1 |
| 11XX | Total current assets | | <u>6,159,246</u> | <u>71</u> | <u>5,608,128</u> | <u>70</u> | <u>5,283,888</u> | <u>70</u> |
| Non-current assets | | | | | | | | |
| 1600 | Property, plant and equipment | 6(5) and 8 | 2,327,491 | 27 | 2,227,309 | 28 | 2,138,040 | 28 |
| 1755 | Right-of-use assets | 6(6) | 52,554 | 1 | 56,977 | 1 | 37,305 | 1 |
| 1780 | Intangible assets | | 23,191 | - | 26,772 | - | 26,629 | - |
| 1840 | Deferred income tax assets | | 67,621 | 1 | 80,721 | 1 | 76,821 | 1 |
| 1900 | Other non-current assets | | 12,145 | - | 10,075 | - | 11,435 | - |
| 15XX | Total non-current assets | | <u>2,483,002</u> | <u>29</u> | <u>2,401,854</u> | <u>30</u> | <u>2,290,230</u> | <u>30</u> |
| 1XXX | Total assets | | <u>\$ 8,642,248</u> | <u>100</u> | <u>\$ 8,009,982</u> | <u>100</u> | <u>\$ 7,574,118</u> | <u>100</u> |

(Continued)

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| Liabilities and Equity | Notes | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | |
|--|--|----------------|---------------------|-------------------|---------------------|----------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | | | | |
| 2130 | Contract liabilities - current | 6(12) | \$ 41,090 | 1 | \$ 76,577 | 1 | \$ 41,868 | 1 |
| 2150 | Notes payable | | 29,102 | - | 30,493 | - | 25,844 | - |
| 2170 | Accounts payable | | 880,484 | 10 | 916,403 | 12 | 796,054 | 11 |
| 2200 | Other payables | 6(7) | 325,226 | 4 | 354,683 | 5 | 225,754 | 3 |
| 2230 | Current income tax liabilities | | 294,405 | 3 | 179,870 | 2 | 184,442 | 2 |
| 2280 | Current lease liabilities | | 24,819 | - | 25,040 | - | 13,571 | - |
| 2300 | Other current liabilities | | 7,998 | - | 7,948 | - | 7,684 | - |
| 21XX | Total current liabilities | | <u>1,603,124</u> | <u>18</u> | <u>1,591,014</u> | <u>20</u> | <u>1,295,217</u> | <u>17</u> |
| Non-current liabilities | | | | | | | | |
| 2550 | Provisions for liabilities - non-current | | 14,703 | - | 39,920 | 1 | 39,340 | 1 |
| 2570 | Deferred income tax liabilities | | 224,386 | 3 | 194,168 | 2 | 166,534 | 2 |
| 2580 | Non-current lease liabilities | | 27,162 | - | 31,658 | - | 23,323 | - |
| 2600 | Other non-current liabilities | 6(8) | 51,784 | 1 | 56,931 | 1 | 59,782 | 1 |
| 25XX | Total non-current liabilities | | <u>318,035</u> | <u>4</u> | <u>322,677</u> | <u>4</u> | <u>288,979</u> | <u>4</u> |
| 2XXX | Total liabilities | | <u>1,921,159</u> | <u>22</u> | <u>1,913,691</u> | <u>24</u> | <u>1,584,196</u> | <u>21</u> |
| Equity attributable to owners of the parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Common stock | 6(9) | 2,362,160 | 27 | 2,362,160 | 29 | 2,362,160 | 31 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(10) | 53,290 | 1 | 53,290 | 1 | 53,290 | 1 |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(11) | 1,415,311 | 16 | 1,415,311 | 18 | 1,306,390 | 17 |
| 3320 | Special reserve | | 57,209 | 1 | 57,209 | 1 | 67,270 | 1 |
| 3350 | Unappropriated retained earnings | | 2,866,777 | 33 | 2,276,683 | 28 | 2,265,885 | 30 |
| Other equity interest | | | | | | | | |
| 3400 | Other equity interest | | (33,658) | - | (68,362) | (1) | (65,073) | (1) |
| 31XX | Equity attributable to owners of the parent | | <u>6,721,089</u> | <u>78</u> | <u>6,096,291</u> | <u>76</u> | <u>5,989,922</u> | <u>79</u> |
| 3XXX | Total equity | | <u>6,721,089</u> | <u>78</u> | <u>6,096,291</u> | <u>76</u> | <u>5,989,922</u> | <u>79</u> |
| Significant contingent liabilities and unrecognized contract commitments | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 8,642,248</u> | <u>100</u> | <u>\$ 8,009,982</u> | <u>100</u> | <u>\$ 7,574,118</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
THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

| Items | Notes | Three months ended March 31 | | | |
|---|--------------|-----------------------------|--------------|-------------------|--------------|
| | | 2022 | | 2021 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Operating revenue | 6(12) | \$ 1,921,173 | 100 | \$ 1,347,772 | 100 |
| 5000 Operating costs | 6(4)(15)(16) | (807,010) | (42) | (611,881) | (45) |
| 5950 Gross margin | | <u>1,114,163</u> | <u>58</u> | <u>735,891</u> | <u>55</u> |
| Operating expenses | 6(15)(16) | | | | |
| 6100 Selling expenses | | (227,689) | (12) | (193,812) | (14) |
| 6200 General and administrative expenses | | (54,879) | (3) | (44,594) | (3) |
| 6300 Research and development expenses | | (144,483) | (7) | (115,459) | (9) |
| 6450 Expected credit impairment (loss) gain | 12(2) | (4,622) | - | 4,499 | - |
| 6000 Total operating expenses | | <u>(431,673)</u> | <u>(22)</u> | <u>(349,366)</u> | <u>(26)</u> |
| 6900 Operating profit | | <u>682,490</u> | <u>36</u> | <u>386,525</u> | <u>29</u> |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | | 2,005 | - | 2,085 | - |
| 7010 Other income | 6(13) | 3,393 | - | 3,010 | - |
| 7020 Other gains and losses | 6(14) | 85,333 | 4 | (1,553) | - |
| 7050 Finance costs | 6(6) | (429) | - | (388) | - |
| 7000 Total non-operating income and expenses | | <u>90,302</u> | <u>4</u> | <u>3,154</u> | <u>-</u> |
| 7900 Profit before income tax | | <u>772,792</u> | <u>40</u> | <u>389,679</u> | <u>29</u> |
| 7950 Income tax expense | 6(17) | (182,698) | (9) | (94,087) | (7) |
| 8200 Profit for the period | | <u>\$ 590,094</u> | <u>31</u> | <u>\$ 295,592</u> | <u>22</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 | | \$ 43,380 | 2 | (\$ 9,830) | (1) |
| 8399 Income tax relating to the components of other comprehensive (loss) income that will be reclassified to profit or loss | 6(17) | (8,676) | - | 1,966 | - |
| 8360 Other comprehensive income (loss) that will be reclassified to profit or loss | | <u>34,704</u> | <u>2</u> | <u>(7,864)</u> | <u>(1)</u> |
| 8500 Total comprehensive income for the period | | <u>\$ 624,798</u> | <u>33</u> | <u>\$ 287,728</u> | <u>21</u> |
| Profit attributable to: | | | | | |
| 8610 Owners of the parent | | <u>\$ 590,094</u> | <u>31</u> | <u>\$ 295,592</u> | <u>22</u> |
| Comprehensive income attributable to: | | | | | |
| 8710 Owners of the parent | | <u>\$ 624,798</u> | <u>33</u> | <u>\$ 287,728</u> | <u>21</u> |
| Earnings per share (in dollars) | 6(18) | | | | |
| 9750 Basic earnings per share | | <u>\$ 2.50</u> | | <u>\$ 1.25</u> | |
| 9850 Diluted earnings per share | | <u>\$ 2.49</u> | | <u>\$ 1.25</u> | |

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Equity attributable to owners of the parent | | | | | | | | |
|---|---|------------------------------|---|-------------------------|-------------------|-----------------|----------------------------------|--|--------------|
| | Notes | Capital Reserves | | | Retained Earnings | | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Total equity |
| | | Share capital - common stock | Total capital surplus, additional paid-in capital | Donated assets received | Legal reserve | Special reserve | | | |
| <u>2021</u> | | | | | | | | | |
| Balance at January 1, 2021 | | \$ 2,362,160 | \$ 51,874 | \$ 1,416 | \$ 1,306,390 | \$ 67,270 | \$ 1,970,293 | (\$ 57,209) | \$ 5,702,194 |
| Profit for the period | | - | - | - | - | - | 295,592 | - | 295,592 |
| Other comprehensive loss for the period | | - | - | - | - | - | - | (7,864) | (7,864) |
| Total comprehensive income (loss) | | - | - | - | - | - | 295,592 | (7,864) | 287,728 |
| Balance at March 31, 2021 | | \$ 2,362,160 | \$ 51,874 | \$ 1,416 | \$ 1,306,390 | \$ 67,270 | \$ 2,265,885 | (\$ 65,073) | \$ 5,989,922 |
| <u>2022</u> | | | | | | | | | |
| Balance at January 1, 2022 | | \$ 2,362,160 | \$ 51,874 | \$ 1,416 | \$ 1,415,311 | \$ 57,209 | \$ 2,276,683 | (\$ 68,362) | \$ 6,096,291 |
| Profit for the period | | - | - | - | - | - | 590,094 | - | 590,094 |
| Other comprehensive income for the period | | - | - | - | - | - | - | 34,704 | 34,704 |
| Total comprehensive income | | - | - | - | - | - | 590,094 | 34,704 | 624,798 |
| Balance at March 31, 2022 | | \$ 2,362,160 | \$ 51,874 | \$ 1,416 | \$ 1,415,311 | \$ 57,209 | \$ 2,866,777 | (\$ 33,658) | \$ 6,721,089 |

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

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Three months ended March 31 | |
|--|-------|-----------------------------|--------------|
| | | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 772,792 | \$ 389,679 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(15) | 31,161 | 30,067 |
| Amortisation | 6(15) | 3,703 | 3,223 |
| Expected credit impairment loss (gain) | 12(2) | 4,622 | (4,499) |
| Interest income | | (2,005) | (2,085) |
| Interest expense | 6(6) | 429 | 388 |
| Gain on disposal of property, plant and equipment | 6(14) | (198) | (1,450) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 24,242 | (66,624) |
| Accounts receivable | | (810,018) | (184,273) |
| Other receivables | | 8,380 | (3,777) |
| Inventory | | 39,203 | (129,818) |
| Other current assets | | (7,397) | (15,021) |
| Changes in operating liabilities | | | |
| Contract liabilities | | (35,487) | 17,566 |
| Notes payable | | (1,391) | 9,062 |
| Accounts payable | | (35,919) | 301,457 |
| Other payables | | (29,457) | (74,549) |
| Other current liabilities | | 50 | (175) |
| Provisions for liabilities | | (25,217) | (2,003) |
| Other non-current liabilities | | (5,147) | (3,129) |
| Cash (outflow) inflow generated from operations | | (67,654) | 264,039 |
| Interest received | | 2,298 | 2,834 |
| Interest paid | | (429) | (388) |
| Income taxes paid | | (16,169) | (30,850) |
| Net cash flows (used in) from operating activities | | (81,954) | 235,635 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of financial assets at amortised cost | | (75,998) | 130,892 |
| Acquisition of property, plant and equipment | 6(5) | (107,786) | (13,506) |
| Proceeds from disposal of property, plant and equipment | | 2,299 | 3,928 |
| Acquisition of intangible assets | | (111) | (5,045) |
| Decrease in refundable deposits | | (2,070) | (1,145) |
| Net cash flows (used in) from investing activities | | (183,666) | 115,124 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease principal repayment | | (7,354) | (6,631) |
| Net cash flows used in financing activities | | (7,354) | (6,631) |
| Effect due to changes in exchange rate | | 16,848 | (7,549) |
| Net (decrease) increase in cash and cash equivalents | | (256,126) | 336,579 |
| Cash and cash equivalents at beginning of period | | 1,226,378 | 1,560,909 |
| Cash and cash equivalents at end of period | | \$ 970,252 | \$ 1,897,488 |

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

TEST RESEARCH, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(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 authorised for issuance by the Board of Directors on May 4, 2022.

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 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.

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

None.

(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 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | 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, 2021, 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, 2021.

(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 2021 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | % of Ownership | | Description |
|-------------------------------|--|--|----------------|-------------------|-------------|
| | | | March 31, 2022 | December 31, 2021 | |
| 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 | - |
| 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 | - |

| Name of investor | Name of subsidiary | Main business activities | % of Ownership | | Description |
|---|--|--------------------------|----------------|-------------------|-------------|
| | | | March 31, 2022 | December 31, 2021 | |
| TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM) | TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED (TRV) | Trading | 100 | 100 | - |

| Name of investor | Name of subsidiary | Main business activities | % of Ownership | | Description |
|---|--|--|----------------|--|-------------|
| | | | March 31, 2021 | | |
| 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 | | - |
| 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 | | - |
| TEST RESEARCH INNOVATION MALAYSIA SDN BHD (TRM) | TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED (TRV) | Trading | 100 | | - |

The financial statements of the abovementioned subsidiaries included in the Group's consolidated financial statements for the three months ended March 31, 2022 and 2021 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 March 31, 2022. Refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---------------------------------------|-----------------------|--------------------------|-----------------------|
| Cash on hand and revolving funds | \$ 396 | \$ 452 | \$ 439 |
| Checking accounts and demand deposits | 605,153 | 797,612 | 683,755 |
| Time deposits | 84,719 | 148,314 | 133,294 |
| Short-term notes and bills | <u>279,984</u> | <u>280,000</u> | <u>1,080,000</u> |
| | <u>\$ 970,252</u> | <u>\$ 1,226,378</u> | <u>\$ 1,897,488</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>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|-----------------------|--------------------------|-----------------------|
| Current items: | | | |
| Time deposits maturing over three months | \$ <u>272,788</u> | \$ <u>196,790</u> | \$ <u>100,530</u> |

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

(3) Notes receivable, accounts receivable and contract assets

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|-----------------------|--------------------------|-----------------------|
| Notes receivable | \$ <u>12,831</u> | \$ <u>37,073</u> | \$ <u>139,464</u> |
| Accounts receivable | \$ 1,701,407 | \$ 1,330,647 | \$ 1,787,966 |
| Less: Allowance for uncollectible accounts | (<u>9,908</u>) | (<u>5,332</u>) | (<u>6,025</u>) |
| | \$ <u>1,691,499</u> | \$ <u>1,325,315</u> | \$ <u>1,781,941</u> |
| Contract assets | \$ 1,447,642 | \$ 1,008,298 | \$ 253,416 |
| Less: Loss allowance | (<u>434</u>) | (<u>302</u>) | (<u>76</u>) |
| | \$ <u>1,447,208</u> | \$ <u>1,007,996</u> | \$ <u>253,340</u> |

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

| | <u>March 31, 2022</u> | | | <u>December 31, 2021</u> | | |
|-----------------|----------------------------|-------------------------|------------------------|----------------------------|-------------------------|------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Contract assets</u> | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Contract assets</u> |
| Not past due | \$ 1,437,487 | \$ 12,831 | \$ 1,447,642 | \$ 1,032,865 | \$ 37,073 | \$ 1,008,298 |
| Past due | | | | | | |
| Up to 60 days | 180,255 | - | - | 186,807 | - | - |
| 61 to 90 days | 15,815 | - | - | 29,755 | - | - |
| 91 to 180 days | 28,420 | - | - | 46,523 | - | - |
| 181 to 365 days | 38,669 | - | - | 32,897 | - | - |
| Over 365 days | 761 | - | - | 1,800 | - | - |
| | \$ <u>1,701,407</u> | \$ <u>12,831</u> | \$ <u>1,447,642</u> | \$ <u>1,330,647</u> | \$ <u>37,073</u> | \$ <u>1,008,298</u> |

| | <u>March 31, 2021</u> | | |
|-----------------|----------------------------|-------------------------|------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Contract assets</u> |
| Not past due | \$ 1,424,082 | \$ 139,464 | \$ 253,416 |
| Past due | | | |
| Up to 60 days | 262,967 | - | - |
| 61 to 90 days | 33,135 | - | - |
| 91 to 180 days | 22,517 | - | - |
| 181 to 365 days | 37,730 | - | - |
| Over 365 days | 7,535 | - | - |
| | \$ <u>1,787,966</u> | \$ <u>139,464</u> | \$ <u>253,416</u> |

The above ageing analysis was based on past due date.

B. As at March 31, 2022, December 31, 2021 and March 31, 2021, accounts receivable, notes

receivable and contract assets were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts (including notes receivable and contract assets) with customers amounted to \$1,919,349.

C. As at March 31, 2022, December 31, 2021 and March 31, 2021, 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 \$12,831, \$37,073 and \$139,464, and accounts receivable and contract assets were \$3,138,707, \$2,333,311 and \$2,035,281, respectively.

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

(4) Inventories

| | March 31, 2022 | | |
|-------------------------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 1,188,482 | (\$ 96,692) | \$ 1,091,790 |
| Work in progress | 203,345 | (3) | 203,342 |
| Semi-finished and finished goods | 425,696 | (37,878) | 387,818 |
| Merchandise | 17,818 | (2,477) | 15,341 |
| | <u>\$ 1,835,341</u> | <u>(\$ 137,050)</u> | <u>\$ 1,698,291</u> |
| | December 31, 2021 | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 1,168,419 | (\$ 94,524) | \$ 1,073,895 |
| Work in progress | 126,543 | (6) | 126,537 |
| Semi-finished and finished goods | 577,487 | (35,803) | 541,684 |
| Merchandise | 7,191 | (2,384) | 4,807 |
| | <u>\$ 1,879,640</u> | <u>(\$ 132,717)</u> | <u>\$ 1,746,923</u> |
| | March 31, 2021 | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 569,473 | (\$ 85,433) | \$ 484,040 |
| Work in progress | 190,185 | (1) | 190,184 |
| Semi-finished and finished goods | 399,093 | (36,615) | 362,478 |
| Merchandise | 9,784 | (2,518) | 7,266 |
| | <u>\$ 1,168,535</u> | <u>(\$ 124,567)</u> | <u>\$ 1,043,968</u> |

The cost of inventories recognised as expense for the year:

| | <u>Three months ended March 31</u> | |
|---------------------------------|------------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Cost of goods sold | \$ 821,775 | \$ 604,931 |
| Loss on slow-moving inventories | 4,061 | 3,930 |
| | <u>\$ 825,836</u> | <u>\$ 608,861</u> |

For the three months ended March 31, 2022, the Group reversed overestimated reserve for warranty liabilities (shown as adjustment of cost of goods sold) in proportion to warranty occurrence in the past.

(5) Property, plant and equipment

| | 2022 | | | | | | | |
|----------------------------|---------------------|-----------------------------|----------------------------|-----------------------------|---------------------|----------------------------|----------------------------|---------------------|
| | 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 | \$ 457,585 | \$ 6,430 | \$ 227,459 | \$ 177,321 | \$ 100,667 | \$ 3,057,021 |
| Accumulated depreciation | - | (267,796) | (273,525) | (3,999) | (155,330) | (129,062) | - | (829,712) |
| | <u>\$ 1,166,021</u> | <u>\$ 653,742</u> | <u>\$ 184,060</u> | <u>\$ 2,431</u> | <u>\$ 72,129</u> | <u>\$ 48,259</u> | <u>\$ 100,667</u> | <u>\$ 2,227,309</u> |
| <u>Opening net book</u> | | | | | | | | |
| amount as at January 1 | \$ 1,166,021 | \$ 653,742 | \$ 184,060 | \$ 2,431 | \$ 72,129 | \$ 48,259 | \$ 100,667 | \$ 2,227,309 |
| Additions | - | - | 3,009 | 754 | 1,692 | 3,053 | 99,278 | 107,786 |
| Transfers from inventories | - | - | 5,852 | - | 2,260 | 1,317 | - | 9,429 |
| Disposals | - | - | (2,063) | - | (38) | - | - | (2,101) |
| Depreciation charge | - | (4,524) | (8,541) | (211) | (6,403) | (4,128) | - | (23,807) |
| Net exchange differences | - | - | 8,665 | 68 | 75 | 67 | - | 8,875 |
| <u>Closing net book</u> | | | | | | | | |
| amount as at March 31 | <u>\$ 1,166,021</u> | <u>\$ 649,218</u> | <u>\$ 190,982</u> | <u>\$ 3,042</u> | <u>\$ 69,715</u> | <u>\$ 48,568</u> | <u>\$ 199,945</u> | <u>\$ 2,327,491</u> |
| <u>At March 31</u> | | | | | | | | |
| Cost | \$ 1,166,021 | \$ 921,538 | \$ 506,132 | \$ 7,379 | \$ 229,061 | \$ 181,907 | \$ 199,945 | \$ 3,211,983 |
| Accumulated depreciation | - | (272,320) | (315,150) | (4,337) | (159,346) | (133,339) | - | (884,492) |
| | <u>\$ 1,166,021</u> | <u>\$ 649,218</u> | <u>\$ 190,982</u> | <u>\$ 3,042</u> | <u>\$ 69,715</u> | <u>\$ 48,568</u> | <u>\$ 199,945</u> | <u>\$ 2,327,491</u> |

| | 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 | - | - | 1,016 | - | 605 | 2,266 | 9,619 | 13,506 |
| Transfers from inventories | - | - | 12,096 | - | 7,947 | 536 | - | 20,579 |
| Disposals | - | - | (2,453) | - | (22) | (3) | - | (2,478) |
| Depreciation charge | - | (4,525) | (7,953) | (214) | (6,937) | (3,807) | - | (23,436) |
| Net exchange differences | - | - | (1,778) | (64) | (26) | (223) | - | (2,091) |
| Closing net book amount as at March 31 | <u>\$ 1,166,021</u> | <u>\$ 667,317</u> | <u>\$ 176,468</u> | <u>\$ 3,116</u> | <u>\$ 73,471</u> | <u>\$ 41,988</u> | <u>\$ 9,659</u> | <u>\$ 2,138,040</u> |
| <u>At March 31</u> | | | | | | | | |
| Cost | \$ 1,166,021 | \$ 921,538 | \$ 440,413 | \$ 6,604 | \$ 225,747 | \$ 166,712 | \$ 9,659 | \$ 2,936,694 |
| Accumulated depreciation | - | (254,221) | (263,945) | (3,488) | (152,276) | (124,724) | - | (798,654) |
| | <u>\$ 1,166,021</u> | <u>\$ 667,317</u> | <u>\$ 176,468</u> | <u>\$ 3,116</u> | <u>\$ 73,471</u> | <u>\$ 41,988</u> | <u>\$ 9,659</u> | <u>\$ 2,138,040</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>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-----------|------------------------|--------------------------|------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Buildings | <u>\$ 52,554</u> | <u>\$ 56,977</u> | <u>\$ 37,305</u> |

| | <u>Three months ended March 31</u> | |
|-----------|------------------------------------|----------------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Buildings | <u>\$ 7,354</u> | <u>\$ 6,631</u> |

- D. For the three months ended March 31, 2022 and 2021, the additions to right-of-use assets were \$1,708 and \$112, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

| | <u>Three months ended March 31</u> | |
|---------------------------------------|------------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | <u>\$ 429</u> | <u>\$ 388</u> |
| Expense on short-term lease contracts | <u>\$ 2,339</u> | <u>\$ 2,444</u> |
| Lease expense of low-value assets | <u>\$ 77</u> | <u>\$ 309</u> |

- F. For the three months ended March 31, 2022 and 2021, the Group's total cash outflow for leases were \$10,199 and \$9,772, respectively.

(7) Other payables

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|--------------------------|-----------------------|
| Salaries and bonus payable | <u>\$ 171,233</u> | <u>\$ 219,628</u> | <u>\$ 113,904</u> |
| Employees' compensation and directors' remuneration payable | <u>53,906</u> | <u>35,900</u> | <u>41,615</u> |
| Others | <u>100,087</u> | <u>99,155</u> | <u>70,235</u> |
| | <u>\$ 325,226</u> | <u>\$ 354,683</u> | <u>\$ 225,754</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 4% 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 \$71 and \$47 for the three months ended March 31, 2022 and 2021, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2023 amount to \$4,538.

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 \$7,159 and \$6,818 for the three months ended March 31, 2022 and 2021, respectively.

(9) Share capital

The Company's authorised capital was \$2,500,000. As of March 31, 2022, 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 2021 earnings had been proposed by the Board of Directors on February 23, 2022 and the appropriations of 2020 earnings had been resolved at the stockholders' meeting on July 7, 2021. Details are summarised below:

| | Year ended December 31 | | | |
|-----------------|------------------------|----------------------------------|-------------|----------------------------------|
| | 2021 | | 2020 | |
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 118,476 | | \$ 108,921 | |
| Special reserve | \$ 11,153 | | (\$ 10,061) | |
| 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.

(12) Sales revenue

| | Three months ended March 31 | |
|---------------------------------------|-----------------------------|--------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | \$ 1,921,173 | \$ 1,347,772 |

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 March 31 | |
|---------|-----------------------------|--------------|
| | 2022 | 2021 |
| Asia | \$ 1,705,100 | \$ 1,236,769 |
| America | 148,254 | 60,256 |
| Europe | 66,562 | 40,451 |
| Others | 1,257 | 10,296 |
| | \$ 1,921,173 | \$ 1,347,772 |

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

B. Contract liabilities

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

| | March 31, 2022 | December 31, 2021 | March 31, 2021 | January 1, 2021 |
|----------------------|----------------|-------------------|----------------|-----------------|
| Contract liabilities | \$ 41,090 | \$ 76,577 | \$ 41,868 | \$ 24,302 |

For the three months ended March 31, 2022 and 2021, the Group's contract liabilities on January 1, 2022 and 2021 were realised to revenue amounting to \$73,729 and \$22,359, respectively.

(13) Other income

| | Three months ended March 31, | |
|---------------|------------------------------|----------|
| | 2022 | 2021 |
| Rental income | \$ 308 | \$ 1,712 |
| Other income | 3,085 | 1,298 |
| | \$ 3,393 | \$ 3,010 |

(14) Other gains and losses

| | Three months ended March 31, | |
|--|------------------------------|-------------------|
| | 2022 | 2021 |
| Gains on disposal of property, plant and equipment | \$ 198 | \$ 1,450 |
| Net currency exchange gains (losses) | 85,160 | (2,967) |
| Other losses | (25) | (36) |
| | <u>\$ 85,333</u> | <u>(\$ 1,553)</u> |

(15) Expenses by nature

| | Three months ended March 31, | |
|---|------------------------------|-------------------|
| | 2022 | 2021 |
| Employee benefit expense | \$ 334,755 | \$ 267,673 |
| Depreciation charges on property, plant and equipment and right-of-use assets | 31,161 | 30,067 |
| Amortisation charges on intangible assets | 3,703 | 3,223 |
| | <u>\$ 369,619</u> | <u>\$ 300,963</u> |

(16) Employee benefit expense

| | Three months ended March 31 | |
|----------------------------------|-----------------------------|-------------------|
| | 2022 | 2021 |
| Wages and salaries | \$ 291,137 | \$ 228,297 |
| Labour and health insurance fees | 24,279 | 21,705 |
| Pension costs | 7,230 | 6,865 |
| Other personnel expenses | 12,109 | 10,806 |
| | <u>\$ 334,755</u> | <u>\$ 267,673</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 three months ended March 31, 2022 and 2021, employees' compensation was accrued at \$11,884 and \$5,864, respectively; while directors' remuneration was accrued at \$6,122 and \$3,020, 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 three months ended March 31, 2022 and 2021 and the percentage as prescribed in the Company's Articles of Incorporation.

The employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors on February 23, 2022 were in agreement with those amounts recognised in the 2021 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.

(17) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Three months ended March 31 | |
|---|-----------------------------|------------------|
| | 2022 | 2021 |
| Current tax: | | |
| Current tax on profit for the year | \$ 142,082 | \$ 64,917 |
| Prior year income tax underestimation | 5,974 | 7,018 |
| Tax on undistributed earnings | - | - |
| Total current tax | <u>148,056</u> | <u>71,935</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 34,642 | 22,152 |
| Income tax expense | <u>\$ 182,698</u> | <u>\$ 94,087</u> |

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

| | Three months ended March 31 | |
|----------------------------------|-----------------------------|-------------------|
| | 2022 | 2021 |
| Currency translation differences | <u>\$ 8,676</u> | <u>(\$ 1,966)</u> |

B. The Company’s income tax returns through 2020 have been assessed and approved by the Tax Authority.

(18) Earnings per share

| <u>Three months ended March 31, 2022</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 | \$ 590,094 | 236,216 | <u>\$ 2.50</u> |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | <u>-</u> | <u>397</u> | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 590,094</u> | <u>236,613</u> | <u>\$ 2.49</u> |

| <u>Three months ended March 31, 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 | \$ 295,592 | 236,216 | <u>\$ 1.25</u> |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | <u>-</u> | <u>323</u> | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 295,592</u> | <u>236,539</u> | <u>\$ 1.25</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 March 31 | |
|---|-----------------------------|------------------|
| | 2022 | 2021 |
| Salaries and other short-term employee benefits | \$ 21,402 | \$ 12,672 |
| Post-employment benefits | 355 | 270 |
| | <u>\$ 21,757</u> | <u>\$ 12,942</u> |

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

B. Post-employment benefits represent pension costs.

8. PLEDGED ASSETS

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

| Pledged asset | Book value | | | Purpose |
|-------------------------------|-------------------|-------------------|-------------------|------------------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| Property, plant and equipment | | | | |
| - Land | \$ 577,252 | \$ 577,252 | \$ 388,990 | Security for lines of credit |
| - Buildings | 54,824 | 55,283 | 50,143 | " |
| | <u>\$ 632,076</u> | <u>\$ 632,535</u> | <u>\$ 439,133</u> | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

On May 6, 2021, the Company entered into a contract with LEE MING CONSTRUCTION CO., LTD. for the construction of the second-phase plant on its own land in Guishan Dist Huaya Section as approved by the Board of Directors on May 5, 2021. The total price of the construction was \$1,828,800 (tax included). As of March 31, 2022, the Company has paid \$173,736 and there are no outstanding billings that have not been paid.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On May 4, 2022, in order to expand the Group's market in Thailand and provide business contact, consultation and after sales service for Taiwanese businessmen, the Board of Directors of the Company will establish and overseas service point in Thailand. The Chairman has been authorised to handle the

establishment of a service point for a total investment of up to \$5 million and the processing of related registrations as required by domestic and local regulations.

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>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|-----------------------|--------------------------|-----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | \$ 970,252 | \$ 1,226,378 | \$ 1,897,488 |
| Financial assets at amortised cost | 272,788 | 196,790 | 100,530 |
| Notes receivable | 12,831 | 37,073 | 139,464 |
| Accounts receivable (including contract assets) | 3,138,707 | 2,333,311 | 2,035,281 |
| Other receivables | 23,463 | 32,136 | 23,878 |
| Guarantee deposits paid (shown as "other non-current assets") | 12,145 | 10,075 | 11,435 |
| | <u>\$ 4,430,186</u> | <u>\$ 3,835,763</u> | <u>\$ 4,208,076</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortised cost | | | |
| Notes payable | \$ 29,102 | \$ 30,493 | \$ 25,844 |
| Accounts payable | 880,484 | 916,403 | 796,054 |
| Other payables | 316,143 | 344,399 | 217,063 |
| | <u>\$ 1,225,729</u> | <u>\$ 1,291,295</u> | <u>\$ 1,038,961</u> |
| Lease liabilities (including current portion) | <u>\$ 51,981</u> | <u>\$ 56,698</u> | <u>\$ 36,894</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:

March 31, 2022

| | 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 | \$ 66,276 | 28.63 | \$ 1,897,482 | 1% | \$ 18,975 | \$ - |
| RMB:NTD | 131,927 | 4.51 | 594,463 | 1% | 5,945 | - |
| JPY:NTD | - | - | - | 1% | - | - |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | 2,141 | 28.63 | 61,295 | 1% | - | 613 |
| EUR:NTD | 426 | 31.92 | 13,583 | 1% | - | 136 |
| JPY:NTD | 76,776 | 0.24 | 18,065 | 1% | - | 181 |
| MYR:NTD | 3,216 | 6.54 | 21,023 | 1% | - | 210 |
| KRW:NTD | 529,465 | 0.02 | 12,601 | 1% | - | 126 |
| RMB:NTD | 257,880 | 4.51 | 1,084,031 | 1% | - | 10,840 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 3,986 | 28.63 | \$ 114,119 | 1% | \$ 1,141 | \$ - |
| RMB:NTD | 8,060 | 4.51 | 36,318 | 1% | 363 | - |
| JPY:NTD | 202,328 | 0.24 | 47,608 | 1% | 476 | - |

December 31, 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 | \$ 46,876 | 27.68 | \$ 1,297,528 | 1% | \$ 12,975 | \$ - |
| RMB:NTD | 92,710 | 4.34 | 402,732 | 1% | 4,027 | - |
| JPY:NTD | 52,305 | 0.24 | 12,579 | 1% | 126 | - |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | 2,107 | 27.68 | 58,315 | 1% | - | 583 |
| EUR:NTD | 395 | 31.32 | 12,372 | 1% | - | 124 |
| JPY:NTD | 55,291 | 0.24 | 13,297 | 1% | - | 133 |
| MYR:NTD | 3,049 | 6.36 | 19,378 | 1% | - | 194 |
| KRW:NTD | 562,918 | 0.02 | 13,229 | 1% | - | 132 |
| RMB:NTD | 243,972 | 4.34 | 980,212 | 1% | - | 9,802 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 3,667 | 27.68 | \$ 101,503 | 1% | \$ 1,015 | \$ - |
| RMB:NTD | 3,933 | 4.34 | 17,085 | 1% | 171 | - |
| JPY:NTD | 148,124 | 0.24 | 35,624 | 1% | 356 | - |

March 31, 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 | \$ 49,315 | 28.54 | \$ 1,407,204 | 1% | \$ 14,072 | \$ - |
| RMB:NTD | 62,422 | 4.34 | 271,161 | 1% | 2,712 | - |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | 1,958 | 28.54 | 55,880 | 1% | - | 559 |
| EUR:NTD | 579 | 33.48 | 19,395 | 1% | - | 194 |
| MYR:NTD | 4,098 | 6.57 | 26,932 | 1% | - | 269 |
| KRW:NTD | 727,651 | 0.03 | 18,511 | 1% | - | 185 |
| RMB:NTD | 191,857 | 4.34 | 833,428 | 1% | - | 8,334 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 4,934 | 28.54 | \$ 140,792 | 1% | \$ 1,408 | \$ - |
| RMB:NTD | 3,029 | 4.34 | 13,158 | 1% | 132 | - |
| EUR:NTD | 778 | 33.48 | 26,047 | 1% | 260 | - |
| JPY:NTD | 56,921 | 0.26 | 14,669 | 1% | 147 | - |
| USD:KRW | 690 | 1,121.66 | 19,689 | 1% | 197 | - |

- iii. Total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2022 and 2021 amounted to \$85,160 and (\$2,967), 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 financial assets 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 and contract assets 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 notes receivable, accounts receivable and contract assets. The Group's notes receivable had no significant loss allowance. As of March 31, 2022, December 31, 2021 and March 31, 2021, the provision matrix based on the loss rate methodology is as follows:

Group A:

| | Not past due | 1~60 days past due | 61~90 days past due | 91~180 days past due | 181~365 days past due | Over 365 days past due | Total |
|--------------------------|-----------------|-----------------------|------------------------|----------------------------|-----------------------------|------------------------------|------------|
| <u>March 31, 2022</u> | | | | | | | |
| Expected loss rate | 0.03% | 1.50% | 15.00% | 25.00% | 40.00% | 60%-100% | |
| Total book value | \$ 931,254 | \$ 8,271 | \$ 3,120 | \$ - | \$ - | \$ 141 | \$ 942,786 |
| Loss allowance | 279 | 124 | 468 | - | - | 141 | 1,012 |
| | Not past due | 1~60 days past due | 61~90 days past due | 91~180 days past due | 181~365 days past due | Over 365 days past due | Total |
| <u>December 31, 2021</u> | | | | | | | |
| Expected loss rate | 0.03% | 1.50% | 15.00% | 25.00% | 40.00% | 60%-100% | |
| Total book value | \$ 645,048 | \$ 3,606 | \$ 14 | \$ 248 | \$ 12,303 | \$ 175 | \$ 661,394 |
| Loss allowance | - | 54 | 2 | 62 | 4,921 | 175 | 5,214 |
| | Not past due | 1~60 days past due | 61~90 days past due | 91~180 days past due | 181~365 days past due | Over 365 days past due | Total |
| <u>March 31, 2021</u> | | | | | | | |
| Expected loss rate | 0.03%-0.18% | 1.50% | 15.00% | 25.00% | 40.00% | 100% | |
| Total book value | \$ 217,920 | \$ 25,180 | \$ - | \$ 937 | \$ 2,096 | \$ 970 | \$ 247,103 |
| Loss allowance | 398 | 378 | - | 234 | 838 | 970 | 2,818 |

Group B:

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--------------------|-----------------------|--------------------------|-----------------------|
| Expected loss rate | 0.03% | 0.03% | 0.03%~0.18% |
| Total book value | \$ 2,206,263 | \$ 1,677,551 | \$ 1,794,279 |
| Loss allowance | 9,330 | 420 | 3,283 |

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% and credit facilities which were granted by the Group, which was used to assess the default possibility of accounts receivable and contract asstes.

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

| | 2022 | | 2021 | |
|---------------------------------|---------------------|-----------------|---------------------|-----------------|
| | Accounts receivable | Contract assets | Accounts receivable | Contract assets |
| At January 1 | \$ 5,332 | \$ 302 | \$ 10,585 | \$ 55 |
| Provision for impairment | 4,264 | 358 | - | 21 |
| Reversal of impairment loss | - | - | (4,520) | - |
| Effect of exchange rate changes | 312 | (226) | (40) | - |
| At March 31 | <u>\$ 9,908</u> | <u>\$ 434</u> | <u>\$ 6,025</u> | <u>\$ 76</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>March 31, 2022</u> | <u>Less than 1 year</u> | <u>Over 1 year</u> |
|--------------------------|-------------------------|--------------------|
| Notes payable | \$ 29,102 | \$ - |
| Accounts payable | 880,484 | - |
| Other payables | 325,226 | - |
| Lease liabilities | 31,380 | 22,240 |
| <u>December 31, 2021</u> | <u>Less than 1 year</u> | <u>Over 1 year</u> |
| Notes payable | \$ 30,493 | \$ - |
| Accounts payable | 916,403 | - |
| Other payables | 354,683 | - |
| Lease liabilities | 30,496 | 23,489 |
| <u>March 31, 2021</u> | <u>Less than 1 year</u> | <u>Over 1 year</u> |
| Notes payable | \$ 25,844 | \$ - |
| Accounts payable | 796,054 | - |
| Other payables | 217,063 | - |
| Lease liabilities | 17,969 | 29,217 |

(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 (including contract assets), 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 for the three months ended March 31, 2022.

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: Please refer to table 2.
- 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 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 3 to 5.

(4) Major shareholders information

Major shareholders information: Please refer to Table 8.

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:

| | Three months ended March 31 | |
|---------------------------------|-----------------------------|--------------|
| | 2022 | 2021 |
| Revenue from external customers | \$ 1,921,173 | \$ 1,347,772 |
| Segment profit | \$ 682,490 | \$ 386,525 |

(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:

| | Three months ended March 31 | |
|--|-----------------------------|------------|
| | 2022 | 2021 |
| Reportable segments income | \$ 682,490 | \$ 386,525 |
| Unallocated profit or loss: | | |
| Non-operating income and expenses | 90,302 | 3,154 |
| Income before tax from continuing operations | \$ 772,792 | \$ 389,679 |

Test Research, Inc. and Subsidiaries

Loans to others

Three months ended March 31, 2022

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 three months ended March 31, 2022 | Balance at March 31, 2022 | 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 | \$ 27,036 | \$ 27,036 | \$ 27,036 | 4.75% | Short-term financing | \$ - | Additional operating capital | \$ - | None | \$ - | \$ 672,109 | \$ 1,344,217 | 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
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
Three months ended March 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | | | | | | | | | | |
|---|----------------------------|-------------------|--------------------|---------------------------------------|---------------------------------|------------------------------------|---|--|----------------------------------|----------------|--|---|-------------------|
| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
| Test Research, Inc. | Test Research Linkou plant | May 5, 2021 | \$ 1,828,800 | Based on the contract schedule (Note) | LEE MING CONSTRUCTION CO., LTD. | None | Not applicable | Not applicable | Not applicable | Not applicable | Price comparison and price negotiation | Expansion of future business and operational needs | None |

Note: As of March 31, 2022, the Company has paid \$173,736 and there are no outstanding billings that have not been paid.

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
Three months ended March 31, 2022

Table 3

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 | \$ 115,204 | 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 \$38,773 | 2% | None | |
| TRI Electronic (Shenzhen) Limited | Test Research, Inc. | Parent company | Purchases | 115,204 | 100% | 90-120 days after acceptance | Determined by the parent company | 90-120 days after acceptance | Accounts payable \$38,773 | 72% | None | |
| Test Research, Inc. | TRI Electronic (Shenzhen) Limited | Second-tier subsidiary | Sales | 180,113 | 10% | 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 \$290,578 | 13% | Note | |
| | | | | | | | | | Other receivables \$262,941 | 98% | | |
| TRI Electronic (Shenzhen) Limited | Test Research, Inc. | Parent company | Purchases | 180,113 | 100% | 90-120 days after acceptance | Determined by the parent company | 90-120 days after acceptance | Accounts payable \$553,519 | 99% | None | |

Note: Other receivables were reclassified from past due accounts receivable.

Test Research, Inc. and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
 Three months ended March 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at March 31, 2022 | 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 | \$ 553,519 | 1.54 | \$ 351,506 | In the process of collection | \$ - | \$ - |

Note: The subsequent collections were reviewed prior to the audit report date. However, the collection progress is affected by COVID-19. It expects to remit back on May.

Test Research, Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Transactions | | Percentage of consolidated total operating revenues or total assets |
|--------------------|-----------------------------------|-----------------------------------|--------------------------|------------------------|-----------------|-------------------|--|
| | | | | | Amount (Note 4) | Transaction terms | |
| 0 | Test Research, Inc. | TRI Electronic (Suzhou) Limited | 1 | Sales revenue | \$ 180,113 | Note 3 | 9 |
| 0 | Test Research, Inc. | TRI Electronic (Shenzhen) Limited | 1 | Sales revenue | 115,204 | Note 3 | 6 |
| 0 | Test Research, Inc. | TRI Electronic (Suzhou) Limited | 1 | Accounts receivable | 290,578 | Note 3 | 3 |
| 0 | Test Research, Inc. | TRI Electronic (Shenzhen) Limited | 1 | Accounts receivable | 38,773 | Note 3 | - |
| 0 | Test Research, Inc. | TRI Electronic (Suzhou) Limited | 1 | Other receivables | 262,941 | Note 8 | 3 |
| 1 | TRI Electronic (Shanghai) Limited | TRI Electronic (Suzhou) Limited | 3 | Other receivables | 27,036 | Note 5 | - |
| 2 | TRI Electronic (Shenzhen) Limited | Test Research, Inc. | 2 | Service revenue | 18,418 | Notes 6 and 7 | 1 |
| 3 | TRI Electronic (Suzhou) Limited | Test Research, Inc. | 2 | Service revenue | 22,549 | Notes 6 and 7 | 1 |
| 4 | TEST RESEARCH USA, INC | Test Research, Inc. | 2 | Service revenue | 14,709 | Notes 6 and 7 | 1 |

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: 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
Three months ended March 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at March 31, 2022 | | | Net profit (loss) of the investee for the three months ended March 31, 2022 | Investment income (loss) recognised by the Company for the three months ended March 31, 2022 | Footnote |
|-----------------------|--|---------------|--------------------------|------------------------------|---------------------------------|----------------------------------|---------------|--------------|---|--|----------|
| | | | | Balance as at March 31, 2022 | Balance as at December 31, 2021 | Number of shares | Ownership (%) | Book value | | | |
| Test Research, Inc. | TRI INVESTMENTS LIMITED | Samoa | Investment holdings | \$ 219,811 | \$ 219,811 | 6,724,109 | 100 | \$ 1,084,031 | \$ 61,279 | \$ 62,991 | Note 2 |
| Test Research, Inc. | TEST RESEARCH USA, INC. | United States | Trading | 61,299 | 61,299 | 1,518,935 | 100 | 61,295 | 957 | 957 | None |
| Test Research, Inc. | TRI TEST RESEARCH EUROPE GMBH | Germany | Trading | 17,679 | 17,679 | - | 100 | 13,583 | 960 | 960 | Note 1 |
| Test Research, Inc. | TRI JAPAN CORPORATION | Japan | Trading | 10,750 | 10,750 | 720 | 100 | 18,065 | 5,178 | 5,178 | None |
| Test Research, Inc. | TRI MALAYSIA SDN. BHD | Malaysia | Trading | 2,066 | 2,066 | 1,000,000 | 100 | 21,023 | 1,201 | 1,201 | None |
| Test Research, Inc. | TRI KOREA CO., Ltd. | South Korea | Trading | 10,591 | 10,591 | 80,000 | 100 | 12,601 (| 786) (| 786) | Note2 |
| TRI MALAYSIA SDN. BHD | TEST RESEARCH INNOVATION VIETNAM COMPANY LIMITED | Vietnam | Trading | 4,153 | 4,153 | - | 100 | 4,679 (| 55) (| 55) | 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
Three months ended March 31, 2022

Table 7

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, 2022 (Note 3) | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2022 | | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022 (Note 3) | Net income of investee for the three months ended March 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income recognised by the Company for the three months ended March 31, 2022 (Note 2(2)C.) | Book value of investments in Mainland China as of March 31, 2022 (Note 5) | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022 | Footnote |
|-----------------------------------|---|-----------------------------|--|--|---|-------------------------------|---|---|--|--|--|--|----------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| TRI Electronic (Shenzhen) Limited | Manufacture and sales of test equipment | \$ 87,322 | 2 | \$ 21,473 | \$ - | \$ - | \$ 21,473 | \$ 11,042 | 100 | \$ 11,042 | \$ 726,249 | \$ - | |
| TRI Electronic (Suzhou) Limited | Manufacture and sales of test equipment | 74,121 | 2 | 57,260 | - | - | 57,260 | 51,953 | 100 | 51,953 | 275,591 | - | |
| TRI Electronic (Shanghai) Limited | Import and export of equipment, consulting and after-sale maintenance service of equipment | 111,657 | 2 | 111,657 | - | - | 111,657 | (1,717) | 100 | (1,717) | 82,191 | - | |
| <u>Company name</u> | <u>Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022 (Note 3)</u> | | <u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 3)</u> | | <u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)</u> | | | | | | | | |
| Test Research, Inc. | \$ 190,390 | \$ | 276,688 | \$ | 4,032,653 | | | | | | | | |

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 independent auditors.

Note 2: In the 'Investment income (loss) recognised by the Company for the three months ended March 31, 2022' 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 (1:28.63) 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
March 31, 2022

Table 8

| 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.