

Chroma ATE Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Chroma ATE Inc.

Introduction

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

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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

The financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$5,397,127 thousand and NT\$5,634,313 thousand, respectively, representing 18.73% and 21.47%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$2,407,987 thousand and NT\$2,519,953 thousand, respectively, representing 21.30% and 21.69%, respectively, of the consolidated total liabilities. The amounts of unreviewed comprehensive (loss) income for the three months ended June 30, 2021 and 2020 were NT\$(103,493) thousand and NT\$67,428 thousand, respectively, representing (17.86%) and 11.41%, respectively, of the consolidated total comprehensive income; and the amounts of unreviewed comprehensive income for the six months ended June 30, 2021 and 2020 were NT\$92,996 thousand and NT\$186,844 thousand, respectively, representing 3.13% and 18.45%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 13 to the consolidated financial statements, the carrying values of investments accounted for using the equity method were NT\$2,991,763 thousand and

NT\$2,885,514 thousand, representing 10.38% and 10.99% of the consolidated total assets as of June 30, 2021 and 2020, respectively; the related shares of comprehensive income (loss) of associates and joint ventures for the three months ended June 30, 2021 and 2020 were NT\$1,335 thousand and NT\$(23,070) thousand, respectively, representing 0.23% and (4.00%), respectively, of the consolidated total comprehensive income; and the related shares of comprehensive income of associates and joint ventures for the six months ended June 30, 2021 and 2020 were NT\$71,862 thousand and NT\$14,397 thousand, respectively, representing 2.42% and 1.42%, respectively, of the consolidated total comprehensive income. These investment amounts were calculated and disclosed on the basis of the unreviewed financial statements of the investees as of and for the same reporting periods as those of the Corporation. Further, as disclosed in Note 35 to the consolidated financial statements, other information on the Corporation's non-significant subsidiaries and other investees accounted for using the equity method was disclosed on the basis of the unreviewed financial statements as of and for the same reporting periods as those of the Corporation.

Qualified Conclusion

Based on our reviews, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that caused 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 of June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Wen-Chin Lin and Chien-Liang Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 29, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,287,857	11	\$ 2,896,645	10	\$ 2,470,132	9
Financial assets at fair value through profit or loss - current (Note 7)	770,525	3	509,015	2	436,790	2
Financial assets at amortized cost - current (Notes 9 and 31)	1,314,564	5	1,036,691	4	664,392	2
Contract assets - current (Note 23)	831,184	3	1,278,936	4	1,232,019	5
Notes receivable (Note 10)	58,215	-	127,042	-	57,443	-
Trade receivables (Note 10)	4,236,106	15	4,247,500	15	4,260,125	16
Trade receivables - related parties (Notes 10 and 30)	26,526	-	19,340	-	44,824	-
Inventories (Note 11)	3,307,782	11	3,028,457	11	3,292,594	13
Prepayments	252,039	1	197,038	1	260,098	1
Other current assets (Note 30)	189,265	1	187,175	1	223,910	1
Total current assets	14,274,063	50	13,527,839	48	12,942,327	49
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	4,684	-	4,646	-	4,215	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,193,168	4	862,898	3	661,812	3
Investments accounted for using the equity method (Note 13)	2,991,763	10	3,139,227	11	2,885,514	11
Property, plant and equipment (Notes 14 and 31)	5,924,842	21	3,156,634	11	3,149,523	12
Right-of-use assets (Notes 15 and 30)	319,658	1	144,921	1	146,711	1
Investment properties (Note 16)	3,137,187	11	3,137,187	11	3,137,187	12
Goodwill (Note 17)	226,214	1	228,002	1	225,061	1
Other intangible assets (Note 18)	89,763	-	55,578	-	39,505	-
Deferred tax assets	323,571	1	314,987	1	321,708	1
Prepayments for land and equipment (Note 32)	228,075	1	3,463,185	13	2,638,038	10
Refundable deposits	20,971	-	13,693	-	13,282	-
Other non-current assets	80,605	-	80,086	-	81,962	-
Total non-current assets	14,540,501	50	14,601,044	52	13,304,518	51
TOTAL	\$ 28,814,564	100	\$ 28,128,883	100	\$ 26,246,845	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 1,120,250	4	\$ 2,554,260	9	\$ 2,100,485	8
Contract liabilities - current (Notes 23 and 30)	497,573	2	765,682	3	343,165	1
Notes payable	41,357	-	35,933	-	19,071	-
Notes payable - related parties (Note 30)	5,329	-	4,570	-	1,191	-
Trade payables	2,691,816	9	2,637,070	10	2,658,126	10
Trade payables - related parties (Note 30)	3,924	-	11,353	-	10,631	-
Other payables (Notes 20 and 30)	3,294,924	11	1,225,623	4	2,552,252	10
Current tax liabilities	422,206	2	348,441	1	372,745	2
Lease liabilities - current (Notes 15 and 30)	105,711	-	55,247	-	65,213	-
Current portion of long-term borrowings (Notes 19, 20 and 31)	213,092	1	633,456	2	14,017	-
Other current liabilities	168,387	1	153,317	1	59,139	-
Total current liabilities	8,564,569	30	8,424,952	30	8,196,035	31
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 31)	1,598,075	6	2,404,616	9	2,632,052	10
Deferred tax liabilities	694,174	2	621,111	2	527,690	2
Lease liabilities - non-current (Notes 15 and 30)	256,994	1	92,345	-	83,842	-
Net defined benefit liabilities (Note 21)	147,178	-	156,280	1	156,946	1
Guarantee deposits received	43,231	-	40,886	-	20,000	-
Total non-current liabilities	2,739,652	9	3,315,238	12	3,420,530	13
Total liabilities	11,304,221	39	11,740,190	42	11,616,565	44
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 22)						
Ordinary share capital	4,216,315	15	4,212,945	15	4,198,212	16
Advance receipts for share capital	-	-	-	-	61,761	-
Capital surplus	4,062,302	14	4,036,875	14	3,663,187	14
Retained earnings						
Legal reserve	2,824,310	10	2,592,487	9	2,592,487	10
Special reserve	86,888	-	176,128	1	176,128	1
Unappropriated earnings	5,845,588	20	5,160,575	18	3,896,626	15
Total retained earnings	8,756,786	30	7,929,190	28	6,665,241	26
Other equity	131,874	1	(82,101)	-	(239,470)	(1)
Treasury shares	(33,686)	-	(33,686)	-	(35,714)	-
Total equity attributable to owners of the Corporation	17,133,591	60	16,063,223	57	14,313,217	55
NON-CONTROLLING INTERESTS	376,752	1	325,470	1	317,063	1
Total equity	17,510,343	61	16,388,693	58	14,630,280	56
TOTAL	\$ 28,814,564	100	\$ 28,128,883	100	\$ 26,246,845	100

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

(With Deloitte & Touche auditors' review report dated July 29, 2021)

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 23 and 30)	\$ 4,445,386	100	\$ 3,828,568	100	\$ 8,718,664	100	\$ 7,199,517	100
OPERATING COSTS (Notes 11, 24 and 30)	<u>2,378,114</u>	<u>54</u>	<u>1,965,713</u>	<u>51</u>	<u>4,546,483</u>	<u>52</u>	<u>3,590,688</u>	<u>50</u>
GROSS PROFIT	2,067,272	46	1,862,855	49	4,172,181	48	3,608,829	50
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	(16)	-	(81)	-	-	-	-	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>-</u>	<u>40</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,067,256</u>	<u>46</u>	<u>1,862,774</u>	<u>49</u>	<u>4,172,317</u>	<u>48</u>	<u>3,608,869</u>	<u>50</u>
OPERATING EXPENSES (Notes 10, 24 and 30)								
Selling and marketing expenses	577,631	13	492,192	13	1,124,674	13	1,012,096	14
General and administrative expenses	255,376	6	267,166	7	560,207	6	537,196	8
Research and development expenses	380,867	8	329,746	9	746,400	9	644,027	9
Expected credit loss	<u>263,917</u>	<u>6</u>	<u>2,998</u>	<u>-</u>	<u>262,125</u>	<u>3</u>	<u>96,990</u>	<u>1</u>
Total operating expenses	<u>1,477,791</u>	<u>33</u>	<u>1,092,102</u>	<u>29</u>	<u>2,693,406</u>	<u>31</u>	<u>2,290,309</u>	<u>32</u>
PROFIT FROM OPERATIONS	<u>589,465</u>	<u>13</u>	<u>770,672</u>	<u>20</u>	<u>1,478,911</u>	<u>17</u>	<u>1,318,560</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 24)	(9,380)	-	(15,595)	-	(22,394)	-	(31,326)	-
Share of profit of associates and joint ventures (Note 13)	66,150	1	26,189	1	127,879	1	50,083	1
Interest income	4,298	-	4,634	-	7,686	-	7,025	-
Dividend income	53,841	1	4,170	-	53,841	1	4,170	-
Other income (Note 30)	27,241	1	49,722	1	61,305	1	64,408	1
Gain on disposal of property, plant and equipment, net (Note 30)	1,320	-	1,269	-	1,581,125	18	4,380	-
Gain on rights transferred of sale and leaseback (Note 30)	-	-	-	-	154,510	2	-	-
Net foreign exchange loss (Note 34)	(44,114)	(1)	(63,799)	(2)	(67,738)	(1)	(31,774)	(1)
Gain on disposal of equity investments	-	-	480	-	-	-	480	-
Gain (loss) on financial assets at fair value through profit or loss, net	1,115	-	253	-	4,191	-	(603)	-
Other expenses	<u>(1,665)</u>	<u>-</u>	<u>(1,098)</u>	<u>-</u>	<u>(2,406)</u>	<u>-</u>	<u>(1,403)</u>	<u>-</u>
Total non-operating income and expenses	<u>98,806</u>	<u>2</u>	<u>6,225</u>	<u>-</u>	<u>1,897,999</u>	<u>22</u>	<u>65,440</u>	<u>1</u>

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CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 688,271	15	\$ 776,897	20	\$ 3,376,910	39	\$ 1,384,000	19
INCOME TAX EXPENSE (Note 25)	<u>179,333</u>	<u>4</u>	<u>181,262</u>	<u>5</u>	<u>609,303</u>	<u>7</u>	<u>302,640</u>	<u>4</u>
NET PROFIT FOR THE PERIOD	<u>508,938</u>	<u>11</u>	<u>595,635</u>	<u>15</u>	<u>2,767,607</u>	<u>32</u>	<u>1,081,360</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	184,220	4	176,856	5	340,107	4	49,391	1
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	-	-	-	-	(367)	-	(7)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(48,985)	(1)	(132,378)	(4)	(77,512)	(1)	(82,558)	(1)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	<u>(64,815)</u>	<u>(1)</u>	<u>(49,259)</u>	<u>(1)</u>	<u>(55,650)</u>	<u>(1)</u>	<u>(35,679)</u>	<u>(1)</u>
Total other comprehensive loss (income)	<u>70,420</u>	<u>2</u>	<u>(4,781)</u>	<u>-</u>	<u>206,578</u>	<u>2</u>	<u>(68,853)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 579,358</u>	<u>13</u>	<u>\$ 590,854</u>	<u>15</u>	<u>\$ 2,974,185</u>	<u>34</u>	<u>\$ 1,012,507</u>	<u>14</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 481,079	11	\$ 583,769	15	\$ 2,728,600	31	\$ 1,054,271	15
Non-controlling interests	<u>27,859</u>	<u>-</u>	<u>11,866</u>	<u>1</u>	<u>39,007</u>	<u>1</u>	<u>27,089</u>	<u>-</u>
	<u>\$ 508,938</u>	<u>11</u>	<u>\$ 595,635</u>	<u>16</u>	<u>\$ 2,767,607</u>	<u>32</u>	<u>\$ 1,081,360</u>	<u>15</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 556,545	13	\$ 582,494	15	\$ 2,941,656	34	\$ 992,143	14
Non-controlling interests	<u>22,813</u>	<u>-</u>	<u>8,360</u>	<u>-</u>	<u>32,529</u>	<u>-</u>	<u>20,364</u>	<u>-</u>
	<u>\$ 579,358</u>	<u>13</u>	<u>\$ 590,854</u>	<u>15</u>	<u>\$ 2,974,185</u>	<u>34</u>	<u>\$ 1,012,507</u>	<u>14</u>
EARNINGS PER SHARE (NT\$; Note 26)								
Basic	<u>\$ 1.14</u>		<u>\$ 1.40</u>		<u>\$ 6.50</u>		<u>\$ 2.53</u>	
Diluted	<u>\$ 1.14</u>		<u>\$ 1.39</u>		<u>\$ 6.47</u>		<u>\$ 2.51</u>	

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

(With Deloitte & Touche auditors' review report dated July 29, 2021)

(Concluded)

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation							Other Equity							
	Ordinary Share Capital	Advance Receipts for Share Capital	Capital Surplus	Retained Earnings			Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefit	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2020	\$ 4,192,961	\$ 13,724	\$ 3,629,471	\$ 2,407,039	\$ 86,888	\$ 4,382,043	\$ 6,875,970	\$ (331,073)	\$ 154,946	\$ (11,524)	\$ (187,651)	\$ (35,714)	\$ 14,488,761	\$ 296,699	\$ 14,785,460
Appropriation of 2019 earnings															
Legal reserve	-	-	-	185,448	-	(185,448)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	89,240	(89,240)	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$3.0 per share	-	-	-	-	-	(1,265,000)	(1,265,000)	-	-	-	-	-	(1,265,000)	-	(1,265,000)
Change in capital surplus from investments in associates accounted for using the equity method	-	-	(744)	-	-	-	-	-	-	-	-	-	(744)	-	(744)
Net profit for the six months ended June 30, 2020	-	-	-	-	-	1,054,271	1,054,271	-	-	-	-	-	1,054,271	27,089	1,081,360
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	-	(111,512)	49,384	-	(62,128)	-	(62,128)	(6,725)	(68,853)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	1,054,271	1,054,271	(111,512)	49,384	-	(62,128)	-	992,143	20,364	1,012,507
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(120)	(120)	-	(120)
Cancellation of treasury shares	(120)	-	-	-	-	-	-	-	-	-	-	120	-	-	-
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	5,747	-	-	-	-	-	-	-	-	-	5,747	-	5,747
Disposal of investments accounted for using the equity method	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)	-	(22)
Exercise of share-based payment	5,371	48,037	26,747	-	-	-	-	-	-	-	-	-	80,155	-	80,155
Share-based payment transaction	-	-	1,988	-	-	-	-	-	-	10,309	10,309	-	12,297	-	12,297
BALANCE AT JUNE 30, 2020	\$ 4,198,212	\$ 61,761	\$ 3,663,187	\$ 2,592,487	\$ 176,128	\$ 3,896,626	\$ 6,665,241	\$ (442,585)	\$ 204,330	\$ (1,215)	\$ (239,470)	\$ (35,714)	\$ 14,313,217	\$ 317,063	\$ 14,630,280
BALANCE AT JANUARY 1, 2021	\$ 4,212,945	\$ -	\$ 4,036,875	\$ 2,592,487	\$ 176,128	\$ 5,160,575	\$ 7,929,190	\$ (466,042)	\$ 384,493	\$ (552)	\$ (82,101)	\$ (33,686)	\$ 16,063,223	\$ 325,470	\$ 16,388,693
Appropriation of 2020 earnings															
Legal reserve	-	-	-	231,823	-	(231,823)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(89,240)	89,240	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$4.5 per share	-	-	-	-	-	(1,897,175)	(1,897,175)	-	-	-	-	-	(1,897,175)	-	(1,897,175)
Net profit for the six months ended June 30, 2021	-	-	-	-	-	2,728,600	2,728,600	-	-	-	-	-	2,728,600	39,007	2,767,607
Other comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	(367)	(367)	(126,684)	340,107	-	213,423	-	213,056	(6,478)	206,578
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	2,728,233	2,728,233	(126,684)	340,107	-	213,423	-	2,941,656	32,529	2,974,185
Adjustments of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	8,124	-	-	-	-	-	-	-	-	-	8,124	-	8,124
Changes in ownership interests in subsidiaries	-	-	-	-	-	(3,462)	(3,462)	-	-	-	-	-	(3,462)	21,646	18,184
Exercise of share-based payment	3,370	-	16,413	-	-	-	-	-	-	-	-	-	19,783	-	19,783
Share-based payment transaction	-	-	890	-	-	-	-	-	-	552	552	-	1,442	-	1,442
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,893)	(2,893)
BALANCE AT JUNE 30, 2021	\$ 4,216,315	\$ -	\$ 4,062,302	\$ 2,824,310	\$ 86,888	\$ 5,845,588	\$ 8,756,786	\$ (592,726)	\$ 724,600	\$ -	\$ 131,874	\$ (33,686)	\$ 17,133,591	\$ 376,752	\$ 17,510,343

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

(With Deloitte & Touche auditors' review report dated July 29, 2021)

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,376,910	\$ 1,384,000
Adjustments for:		
Depreciation expenses	254,283	213,027
Amortization expenses	7,071	3,096
Expected credit loss recognized on trade receivables	262,125	96,990
Net (gain) loss on financial assets at fair value through profit or loss	(4,191)	603
Finance costs	22,394	31,326
Interest income	(7,686)	(7,025)
Dividend income	(53,841)	(4,170)
Compensation costs of share-based payment	1,415	12,275
Share of profit of associates and joint ventures accounted for using the equity method	(127,879)	(50,083)
Gain on disposal of property, plant and equipment	(1,581,125)	(4,380)
Gain on disposal of investments accounted for using the equity method	-	(480)
Write-downs of inventories	37,542	21,912
Realized gain on transactions with associates and joint ventures	(136)	(40)
Net loss on foreign currency exchange	138,899	1,179
Gain on lease modification	(7)	-
Gain on sale and leaseback transactions	(154,510)	-
Net changes in operating assets and liabilities		
Contract assets	447,752	26,027
Notes receivable	68,827	117,478
Trade receivables	(323,228)	176,850
Inventories	(350,198)	(718,284)
Prepayments	(54,916)	(11,515)
Other current assets	1,882	26,647
Contract liabilities	(268,109)	(363,692)
Notes payable	6,183	(20,823)
Trade payables	47,317	80,963
Other payables	127,635	(57,144)
Other current liabilities	15,070	30,537
Net defined benefit liabilities	(9,102)	(6,143)
Cash generated from operations	1,880,377	979,131
Income tax paid	(475,428)	(223,205)
Net cash generated from operating activities	<u>1,404,949</u>	<u>755,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	9,660	-
Increase in financial assets at amortized cost	(307,883)	-

(Continued)

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
Decrease in financial assets at amortized cost	\$ 23,357	\$ 33,870
Payments to acquire financial assets at fair value through profit or loss	(728,930)	(53,000)
Proceeds from disposal of financial assets at fair value through profit or loss	470,766	135,701
Net cash inflow on disposal of investments accounted for using the equity method	-	688
Payments for property, plant and equipment	(48,243)	(55,664)
Proceeds from disposal of property, plant and equipment	3,098,412	28,499
Increase in refundable deposits	(7,278)	-
Decrease in refundable deposits	-	10,131
Payments to acquire intangible assets	(14,907)	-
(Increase) decrease in other non-current assets	(1,995)	2,228
Increase in prepayments for equipment	(740,194)	(547,544)
Interest received	8,083	7,116
Dividends received	<u>53,841</u>	<u>4,170</u>
Net cash generated from (used in) investing activities	<u>1,814,689</u>	<u>(433,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,429,240)	(250,000)
Proceeds from long-term borrowings	-	374,619
Repayments of long-term borrowings	(1,329,204)	(175,443)
Increase in guarantee deposits	2,345	-
Repayment of the principal portion of lease liabilities	(56,391)	(55,061)
Dividends paid by cash	(2,893)	(11,992)
Exercise of employee share options	19,783	80,155
Payments for buy-back of ordinary shares	-	(120)
Acquisition of additional interests in subsidiaries	18,184	-
Interest paid	<u>(26,454)</u>	<u>(30,366)</u>
Net cash used in financing activities	<u>(2,803,870)</u>	<u>(68,208)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(24,556)</u>	<u>(45,312)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	391,212	208,601
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>2,896,645</u>	<u>2,261,531</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,287,857</u>	<u>\$ 2,470,132</u>

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

(With Deloitte & Touche auditors' review report dated July 29, 2021)

(Concluded)

CHROMA ATE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Chroma ATE Inc. (the “Corporation”) was incorporated in the Republic of China (“ROC”) in November 1984. The Corporation mainly designs, assembles, calibrates, manufactures, sells, repairs and maintains software/hardware for computers and peripherals, computerized automatic test systems, electronic test instruments, signal generators, power supplies, telecom power supplies, etc. as well as serves as an agent to sell these products. The Corporation’s shares have been listed on the Taiwan Stock Exchange since December 21, 1996.

The consolidated financial statements of the Corporation and its subsidiaries (collectively, the “Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar (NTD).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on July 29, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The above amendments of standards and interpretations did not have material impact on the Group's financial position, financial performance and accounting policies.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</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 IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	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 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

Except for the above impacts, the Group is continuously assessing the possible impacts that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impacts when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The basis of preparing the consolidated financial statements is consistent with the consolidated financial statements for the year ended December 31, 2020.

Refer to Note 12, Table 8 and Table 9 for the detailed information of subsidiaries, including the percentage of ownership and main business.

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represent the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 3,670	\$ 3,282	\$ 3,263
Checking accounts and demand deposits	3,131,704	2,753,550	2,466,869
Cash equivalents - time deposits	<u>152,483</u>	<u>139,813</u>	<u>-</u>
	<u>\$ 3,287,857</u>	<u>\$ 2,896,645</u>	<u>\$ 2,470,132</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Mandatorily at FVTPL - current</u>			
Domestic listed shares	\$ 6,702	\$ 4,763	\$ 3,934
Domestic unlisted shares	59,831	58,830	52,173
Open-end beneficiary certificates	<u>703,992</u>	<u>445,422</u>	<u>380,683</u>
	<u>\$ 770,525</u>	<u>\$ 509,015</u>	<u>\$ 436,790</u>
<u>Mandatorily at FVTPL - non-current</u>			
Open-end beneficiary certificates	<u>\$ 4,684</u>	<u>\$ 4,646</u>	<u>\$ 4,215</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Investments in equity instruments - non-current</u>			
Domestic listed ordinary shares and emerging market shares	\$ 1,041,574	\$ 723,973	\$ 552,897
Domestic unlisted ordinary shares	129,023	131,196	103,858
Foreign unlisted ordinary shares	<u>22,571</u>	<u>7,729</u>	<u>5,057</u>
	<u>\$ 1,193,168</u>	<u>\$ 862,898</u>	<u>\$ 661,812</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Refer to Table 3 for the detailed information. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - CURRENT

	June 30, 2021	December 31, 2020	June 30, 2020
Time deposits with original maturities of more than 3 months	\$ 587,221	\$ 307,298	\$ 180,900
Pledged deposits (Notes 31 and 32)	<u>727,343</u>	<u>729,393</u>	<u>483,492</u>
	<u>\$ 1,314,564</u>	<u>\$ 1,036,691</u>	<u>\$ 664,392</u>

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Gross carrying amount at amortized cost - unrelated parties	\$ 4,987,252	\$ 4,807,675	\$ 4,601,826
Less: Allowance for impairment loss	<u>(692,931)</u>	<u>(433,133)</u>	<u>(284,258)</u>
	4,294,321	4,374,542	4,317,568
Gross carrying amount at amortized cost - related parties	<u>26,526</u>	<u>19,340</u>	<u>44,824</u>
	<u>\$ 4,320,847</u>	<u>\$ 4,393,882</u>	<u>\$ 4,362,392</u>

The average credit period for sales of goods is 60 to 120 days from the date when the goods were inspected and accepted by customers. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Customers' limits and scores are reviewed regularly every year. Most of the trade receivables that are neither past due nor impaired have the best credit score under the external credit scoring system used by the Group.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the customers, the customers' current financial position, economic condition of the industry in which the customers operate. As the Group's historical credit loss experience does not show other factors that matter significantly, the expected credit loss rate is based on the past due status of trade receivables.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging schedule of notes receivable and trade receivables based on the past due days was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Not past due	\$ 3,587,703	\$ 3,369,032	\$ 2,959,256
Past due 1- 60 days	349,454	401,344	337,963
Past due 61-180 days	241,893	226,113	334,693
Past due 181-365 days	108,397	107,423	272,257
Past due over 365 days	<u>699,805</u>	<u>703,763</u>	<u>697,657</u>
	<u>\$ 4,987,252</u>	<u>\$ 4,807,675</u>	<u>\$ 4,601,826</u>

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$ 433,133	\$ 188,067
Add: Impairment loss	262,125	96,990
Less: Amounts written off	(323)	-
Foreign exchange gains and losses	<u>(2,004)</u>	<u>(799)</u>
Balance at June 30	<u>\$ 692,931</u>	<u>\$ 284,258</u>

11. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Finished goods	\$ 653,247	\$ 744,981	\$ 770,994
Semi-finished products	477,448	463,934	605,019
Work in process	771,532	687,087	410,564
Raw materials	1,404,366	1,126,671	1,491,286
Inventory in transit	<u>1,189</u>	<u>5,784</u>	<u>14,731</u>
	<u>\$ 3,307,782</u>	<u>\$ 3,028,457</u>	<u>\$ 3,292,594</u>

The cost of inventories recognized as cost of goods sold for the three months and the six months ended June 30, 2021 was \$2,082,195 thousand and \$4,085,005 thousand, respectively, which included the inventory write-downs of \$21,629 thousand and \$37,542 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months and the six months ended June 30, 2020 was \$1,874,590 thousand and \$3,362,854 thousand, respectively, which included the inventory write-downs of \$9,653 thousand and \$21,912 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Business	Percentage of Ownership as of			Remark
			June 30, 2021	December 31, 2020	June 30, 2020	
The Corporation	Newworld Electronics Limited	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	100.0	
	Chroma New Material Corporation	Processing and sale of gold wire	100.0	100.0	100.0	
	Mas Automation Corp.	Design, manufacturing, installment and testing of automated factory conveyor systems	100.0	100.0	100.0	
	Chroma ATE Inc. ("Chroma USA")	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	100.0	
	Chroma Systems Solutions, Inc.	Sale and maintenance of electronic test instruments, etc.	25.0	25.0	25.0	Note 1
	Chroma ATE Europe B.V.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	100.0	
	Chroma Japan Corp.	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	100.0	Note 2
	CHI Incorporation Ltd.	Test of inductance, capacitance and resistance equipment and sale of parts	100.0	100.0	100.0	
	Chen Hwa Technology Inc.	Test of inductance, capacitance and resistance equipment and sale of parts	100.0	100.0	100.0	
	San Eagle Development Corp.	Investment	100.0	100.0	100.0	
	Sensational Holding Ltd.	Investment	100.0	100.0	100.0	
	Deep Red Holding Co., Ltd.	Investment	100.0	100.0	100.0	
	Testar Electronics Corporation	Testing of LED	67.2	67.2	67.2	
	Adivic Technology Co., Ltd.	Sale and research of RF device	74.1	74.1	74.1	
	Chroma Investment Co., Ltd.	Investment	100.0	100.0	100.0	
	Quantel Private Ltd.	Sale and maintenance of test instruments, etc.	60.0	60.0	60.0	
	EVT Technology Co., Ltd.	Manufacturing of motorcycles and its parts	85.6	85.6	85.6	
	Innovative Nanotech Incorporated	Monitoring instruments of nanoparticles	67.2	71.1	71.1	Note 3
	Touch Cloud Inc.	Development of cloud platform and Internet of Things systems	83.1	78.1	78.1	Note 4
	Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	100.0
Chroma Electronics (Shanghai) Co., Ltd.		Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	100.0	
Chroma ATE Inc. ("Chroma USA")	Chroma Systems Solutions, Inc.	Sale and maintenance of electronic test instruments, etc.	50.0	50.0	50.0	Note 1
Chen Hwa Technology Inc.	Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, simple commercial processing, commercial consulting services, etc.	100.0	100.0	100.0	
CHI Incorporation Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	100.0	100.0	100.0	
San Eagle Development Corp. Wei Kuang Mech. Eng. Inc.	Wei Kuang Mech. Eng. Inc.	Investment	100.0	100.0	100.0	
	Mou Kuan Technologies (Nanjin) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and rendering after-sales services	100.0	100.0	100.0	
	Wei Kuang Automatic Equipment (Nanjin) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	100.0	100.0	100.0	
	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	100.0	100.0	100.0	
Deep Red Holding Co., Ltd.	Saject System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	100.0	100.0	100.0	
EVT Technology Co., Ltd. Adivic Technology Co., Ltd. Quantel Private Ltd.	Wei Da Electric Vehicle Co., Ltd.	Sale and lease of motorcycles	-	-	75.0	Note 5
	Adivic Holding Corporation	Sale and research of RF device	100.0	100.0	100.0	
	Quantel Technologies India Private Ltd.	Sale and maintenance of test instruments, etc.	100.0	100.0	100.0	
	Quantel Global Vietnam Co., Ltd.	Sale and maintenance of test instruments, etc.	100.0	100.0	100.0	
	Quantel Global Sdn. Bhd.	Sale and maintenance of test instruments, etc.	100.0	100.0	100.0	
	Quantel Global Philippines Corporation	Sale and maintenance of test instruments, etc.	100.0	100.0	100.0	
	Quantel Global Company Limited	Sale and maintenance of test instruments, etc.	99.9	-	-	Note 6
	Chroma ATE Europe B.V.	Chroma Germany GmbH	Sale and maintenance of electronic test instruments, etc.	100.0	100.0	100.0
Chroma Investment Co., Ltd.	Testar Electronics Corporation	Testing of LED	15.0	15.0	15.0	

Note 1: The Corporation and the Corporation's subsidiary, Chroma USA, jointly held 75% equity interest in Chroma Systems Solutions, Inc.

Note 2: To improve financial structure and enrich working capital, the Corporation's subsidiary, Chroma Japan Corp., increased its capital by \$54,626 thousand in April 2020. The Corporation's board of directors resolved to participate in the capital injection. After the cash injection, the Group's equity remained the same.

Note 3: To meet business needs, the Corporation's subsidiary, Innovative Nanotech Incorporated, increased its capital reserved for employees by \$11,640 thousand in April 2021. The Corporation did not participate in the capital injection and its equity interest in Innovative Nanotech Incorporated decreased to 67.2%.

Note 4: For operational needs, the Corporation's subsidiary, Touch Cloud Inc., increased its working capital by \$60,000 thousand in May 2021. The Corporation's board of directors resolved to participate in the capital injection and its equity interest in Touch Cloud Inc. increased from 78.1% to 83.1% after the cash injection.

Note 5: The Corporation's subsidiary, Wei Da Electric Vehicle Co., Ltd., had completed its liquidation procedures on October 15, 2020.

Note 6: To expand its sales network in Southeast Asia, the Corporation's subsidiary Quantel Private Ltd. resolved to set up Quantel Global Company Limited. in 2021, which engaged in the sale of test instruments.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in associates	\$ 2,975,240	\$ 3,122,336	\$ 2,868,137
Investments in joint ventures	<u>16,523</u>	<u>16,891</u>	<u>17,377</u>
	<u>\$ 2,991,763</u>	<u>\$ 3,139,227</u>	<u>\$ 2,885,514</u>

a. Investments in associates

	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Associates that are not individually material						
Adlink Technology Inc.	\$ 301,947	11.3	\$ 514,751	11.3	\$ 502,718	11.3
Dynascan Technology Corp.	150,811	27.3	141,439	27.3	131,509	27.3
Camtek Ltd.	<u>2,522,482</u>	18.1	<u>2,466,146</u>	18.1	<u>2,233,910</u>	20.2
	<u>\$ 2,975,240</u>		<u>\$ 3,122,336</u>		<u>\$ 2,868,137</u>	

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	June 30, 2021	December 31, 2020	June 30, 2020
Adlink Technology Inc.	<u>\$ 1,501,375</u>	<u>\$ 1,552,809</u>	<u>\$ 2,025,509</u>
Camtek Ltd.	<u>\$ 8,213,007</u>	<u>\$ 4,878,058</u>	<u>\$ 2,913,915</u>

In view of future development strategy and improvement of operating performance, the Corporation's board of directors resolved on February 11, 2019, to subscribe for equity interest of Camtek Ltd. for US\$9.5 per share. Included in the cost of investment in associates was goodwill of \$658,931 thousand recognized from the acquisition of Camtek Ltd. Although the Corporation's equity interest in Camtek Ltd. fell below 20% in 2020, after assessing the Corporation's number of directors in Camtek, it still has a significant influence; therefore Camtek Ltd is still regarded as an associate.

The Group is able to exercise significant influence over Adlink Technology Inc. although the percentage of shares held is less than 20%. Therefore, the Group recognizes the gain and loss under the equity method.

The investments in associate accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the six months ended June 30, 2021 and 2020 were calculated based on financial statements that have not been reviewed.

b. Investments in joint ventures

	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>	
	<u>Amount</u>	<u>Percentage of Equity Interest (%)</u>	<u>Amount</u>	<u>Percentage of Equity Interest (%)</u>	<u>Amount</u>	<u>Percentage of Equity Interest (%)</u>
Joint ventures that are not individually material Chih Ho Shun Development Co., Ltd.	<u>\$ 16,523</u>	35.0	<u>\$ 16,891</u>	35.0	<u>\$ 17,377</u>	35.0

For the investment and development plan, “The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians’ Life”, the board of directors decided to invest jointly with Dynapack International Corporation and Heran Co., Ltd. to set up Chih Ho Shun Development Co., Ltd. (“Chih Ho Shun”). The Corporation held 35% equity interest in Chih Ho Shun but did not have control over this investee.

The investments in joint ventures accounted for using the equity method and the share of profit or loss and other comprehensive income of the investments for the six months ended June 30, 2021 and 2020 were based on the financial statements that have not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,209,760	\$ 2,568,672	\$ 803,326	\$ 1,834,589	\$ 6,416,347
Additions	-	5,338	10,137	40,189	55,664
Disposals	-	(22)	(1,650)	(70,928)	(72,600)
Reclassification	-	3,195	(10,298)	75,475	68,372
Exchange differences	<u>(701)</u>	<u>(10,731)</u>	<u>(1,746)</u>	<u>(10,570)</u>	<u>(23,748)</u>
Balance at June 30, 2020	<u>\$ 1,209,059</u>	<u>\$ 2,566,452</u>	<u>\$ 799,769</u>	<u>\$ 1,868,755</u>	<u>\$ 6,444,035</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2020	\$ -	\$ 1,245,717	\$ 654,099	\$ 1,295,100	\$ 3,194,916
Depreciation	-	45,186	31,173	83,678	160,037
Disposals	-	-	(1,608)	(46,873)	(48,481)
Reclassification	-	2,512	(19,146)	16,144	(490)
Exchange differences	<u>-</u>	<u>(2,342)</u>	<u>(1,425)</u>	<u>(7,703)</u>	<u>(11,470)</u>
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 1,291,073</u>	<u>\$ 663,093</u>	<u>\$ 1,340,346</u>	<u>\$ 3,294,512</u>
Carrying amount at June 30, 2020	<u>\$ 1,209,059</u>	<u>\$ 1,275,379</u>	<u>\$ 136,676</u>	<u>\$ 528,409</u>	<u>\$ 3,149,523</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 1,206,995</u>	<u>\$ 1,243,836</u>	<u>\$ 137,904</u>	<u>\$ 567,899</u>	<u>\$ 3,156,634</u>

(Continued)

	Land	Buildings	Machinery	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,206,995	\$ 2,581,375	\$ 800,328	\$ 1,876,098	\$ 6,464,796
Additions	-	3,420	16,015	28,808	48,243
Disposals	(425,071)	(1,603,368)	(50,305)	(109,820)	(2,188,564)
Reclassification	2,519	3,921,149	34,601	(147,411)	3,810,858
Exchange differences	<u>(2,498)</u>	<u>(13,528)</u>	<u>(2,245)</u>	<u>(14,532)</u>	<u>(32,803)</u>
Balance at June 30, 2021	<u>\$ 781,945</u>	<u>\$ 4,889,048</u>	<u>\$ 798,394</u>	<u>\$ 1,633,143</u>	<u>\$ 8,102,530</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ -	\$ 1,337,539	\$ 662,424	\$ 1,308,199	\$ 3,308,162
Depreciation	-	77,339	31,024	90,993	199,356
Disposals	-	(940,211)	(45,180)	(101,760)	(1,087,151)
Reclassification	-	18,620	186	(248,091)	(229,285)
Exchange differences	<u>-</u>	<u>(2,866)</u>	<u>(1,780)</u>	<u>(8,748)</u>	<u>(13,394)</u>
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 490,421</u>	<u>\$ 646,674</u>	<u>\$ 1,040,593</u>	<u>\$ 2,177,688</u>
Carrying amount at June 30, 2021	<u>\$ 781,945</u>	<u>\$ 4,398,627</u>	<u>\$ 151,720</u>	<u>\$ 592,550</u>	<u>\$ 5,924,842</u> (Concluded)

The Corporation's board of directors resolved to sell the land and plant in Hwa Ya Technology Park to its related party, Adlink Technology, on July 3, 2020. The transaction price, which amounted to \$3.08 billion, was determined with reference to the appraisal results of independent real estate appraisers. The transaction was settled on the first quarter of 2021.

In addition, the Corporation sold and leased back a portion of assets for 5 years for operational needs. The transaction resulted in a total acquisitions of right-of-use assets of \$128,797 thousand and lease liabilities of \$170,699 thousand, refer to Notes 15 and 30 for related information.

The Corporation completed the relocation of its A7 office building in the first quarter of 2021, which was constructed by the Corporation and transferred the related buildings from prepaid land and equipment to property, plant and equipment.

Except for depreciation recognized, the Group had no significant addition, disposal, and impairment of property, plant and equipment for the six months ended June 30, 2021 and 2020. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Primary buildings	15-55 years
Mechanical and electrical equipment	5-20 years
Clean room equipment	5-10 years
Others	2-50 years
Machinery	2-12 years
Office equipment	2-16 years

Refer to Note 31 for property, plant and equipment that have been pledged to secure borrowings of the Group.

15. LEASE ARRANGEMENTS

The Group's important lease projects include lease land from other companies and government department for the use of the plants, warehouses and parking spaces, as well as leases of information systems cloud services, etc. The lease terms are from 2 to 10 years. The Group does not have bargain purchase options to acquire lease items at the end of lease terms.

For the six months ended June 30, 2021 and 2020, the right-of-use assets increased by \$238,034 thousand and \$46,692 thousand, the depreciation was \$54,927 thousand and \$52,990 thousand, and the total cash out flow for leases was \$116,800 thousand and \$55,362 thousand, respectively. Refer to the consolidated balance sheets for the right-of-use assets and lease liabilities.

16. INVESTMENT PROPERTIES

	June 30, 2021	December 31, 2020	June 30, 2020
Land	<u>\$ 3,137,187</u>	<u>\$ 3,137,187</u>	<u>\$ 3,137,187</u>

The Group acquired the land ownership certificates of the investment and development plan, "The Action Plan of Developing Land Surrounding the Airport MRT Station to Improve Civilian's Life" in the third quarter of 2018, part of the land was co-constructed with Fu Yu Construction to build a joint building project, and part of it has not yet been decided, both of the above land were classified as investment properties. The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The significant unobservable inputs used include discount rates and the fair value as appraised.

	June 30, 2021	December 31, 2020	June 30, 2020
Fair value	<u>\$ 11,754,551</u>	<u>\$ 11,754,551</u>	<u>\$ 13,727,067</u>

In the third quarter of 2019, the Group entered into a joint building contract with Fu Yu Construction Co., Ltd. (Fu Yu Construction) to jointly build a building located at No. 61-0 and No. 61-1, Lejie section, Guishan District, Taoyuan City. The construction project adopts a jointly constructed manner. The Group provided the lands and Fu Yu Construction provided fund to construct. The area will be distributed to the Group and Fu Yu Construction for 47% and 53%, respectively. According to the joint building contract, Fu Yu Construction should pay \$20,000 thousand (recognized as guarantee deposit received) and two guaranteed notes with a denomination of \$120,000 thousand to the Group when signing the contract. Additional \$20,000 thousand guarantee deposit should be paid within five business days after the building construction registration is approved and within five business days after the approval of underground bottom plate inspection. The joint building project started in the fourth quarter of 2020, based on the agreement, the Group received \$20,000 thousand guarantee deposit within five business days after the approval of underground bottom plate inspection.

17. GOODWILL

	For the Six Months Ended June 30	
	2021	2020
<u>Cost</u>		
Balance at beginning of the period	\$ 228,002	\$ 225,996
Net effect of exchange differences	<u>(1,788)</u>	<u>(935)</u>
Balance at end of the period	<u>\$ 226,214</u>	<u>\$ 225,061</u>

Refer to Note 17 to the consolidated financial statements for the year ended December 31, 2020 for goodwill impairment assessment. There was no significant evidence indicating impairment of goodwill as of June 30, 2021.

18. OTHER INTANGIBLE ASSETS

The other intangible assets mainly include computer software and core technology as of June 30, 2021, December 31, 2020 and June 30, 2020. Amortization expense is based on a straight-line basis over their estimated useful lives as follows:

Computer software	5-10 years
Core technology	20 years
Patents	5 years
Customer relationships	5 years

19. BORROWINGS

a. Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured bank loans	<u>\$ 1,120,250</u>	<u>\$ 2,554,260</u>	<u>\$ 2,100,485</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest rates on the bank loans were 0.52%-1.93%, 0.52%-4.75% and 0.52%-4.75% per annum, respectively.

b. Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Secured bank loans (1) (Note 31)	\$ 215,102	\$ 488,072	\$ 499,417
Unsecured bank loans (2)	1,550,000	2,550,000	2,100,000
Unsecured government loans (3)	<u>46,065</u>	<u>-</u>	<u>46,652</u>
	1,811,167	3,038,072	2,646,069
Less: Current portions	<u>213,092</u>	<u>633,456</u>	<u>14,017</u>
Long-term borrowings	<u>\$ 1,598,075</u>	<u>\$ 2,404,616</u>	<u>\$ 2,632,052</u>

- 1) Secured by the Group's financial assets amortized at cost and property, plant and equipment. The final repayment period of those bank loans will be due in April 2025 to November 2037. As of June 30, 2021, December 31, 2020 and June 30, 2020, the effective interest rates on the bank loans were 2.25%-4.99%, 0.85%-4.99% and 0.85%-4.99% per annum, respectively.
- 2) The bank loans are for the purpose of general operation with due date in August 2022 to June 2026. As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest rates on the bank loans were 0.68%-0.83%, 0.69%-0.89% and 0.85%-1.08% per annum, respectively.
- 3) Due to the impact of Coronavirus pandemic, the U.S. federal government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and established a Paycheck Protection Program (PPP) to support small businesses, so as to ensure that they would be able to continue as a going concern, and their workers would remain on the payroll during the period of pandemic and economic crisis.

The Group's subsidiary, Chroma Systems Solutions, Inc., obtained loans of US\$1,653 thousand and US\$1,574 thousand which were approved by the authorized bank of Small Business Administration (SBA) in 2021 and 2020, respectively. The loans were mainly used to pay salaries and relevant expenses. Loan forgiveness could be applied if certain conditions are met. The unforgiven portion of principal of the loan must be repaid within 2 years with a fixed interest of 1%.

The government loan in 2020 was fully forgiven in the fourth quarter of 2020; however, the exemption conditions could be amended at any time in 2021. Chroma Systems Solutions, Inc. has submitted the loan forgiveness application but it has not yet been approved, thus, the forgiveness amount cannot be reasonably estimated.

20. OTHER PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Cash dividends	\$ 1,897,175	\$ -	\$ 1,259,253
Compensation of employee's	639,470	416,569	480,699
Salaries and bonus	393,857	477,324	350,529
Remuneration of directors	5,200	10,670	4,800
Others	<u>359,222</u>	<u>321,060</u>	<u>456,971</u>
	<u>\$ 3,294,924</u>	<u>\$ 1,225,623</u>	<u>\$ 2,552,252</u>

21. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019. The amounts were \$1,753 thousand, \$1,189 thousand, \$2,801 thousand and \$2,383 thousand for the three months and the six months ended June 30, 2021 and 2020, respectively.

22. EQUITY

a. Ordinary share capital

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully received (in thousands)	<u>421,632</u>	<u>421,295</u>	<u>419,821</u>
Shares issued	<u>\$ 4,216,315</u>	<u>\$ 4,212,945</u>	<u>\$ 4,198,212</u>

The authorized shares include 30,000 thousand shares allocated for the exercise of employee share options. The change in the Corporation's share capital is mainly due to the exercise of employee share options and the cancellation of employee restricted shares.

b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)			
Additional paid-in capital	\$ 2,919,560	\$ 2,919,560	\$ 2,841,240
Treasury share transactions	218,317	210,193	193,551
Consolidation excess	146,976	146,976	146,976
<u>May be used to offset a deficit only</u>			
Additional paid-in capital			
Employee share options exercised	221,238	200,452	189,535
Employee restricted shares vested	202,797	197,133	120,849
Employee share options expired	13,859	13,859	13,751
Share of changes in capital surplus of associates or joint ventures	327,868	327,868	53,594
<u>May not be used for any purpose</u>			
Employee share options	11,687	16,060	27,085
Employee restricted shares	<u>-</u>	<u>4,774</u>	<u>76,606</u>
	<u>\$ 4,062,302</u>	<u>\$ 4,036,875</u>	<u>\$ 3,663,187</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Group's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Corporation’s Articles of Incorporation (the “Articles”), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees’ compensation of employees and remuneration to directors, refer to d. employees’ compensation of employees and remuneration of directors in Note 24.

Taking into account future capital expenditure requirements and its cash position, the total of cash dividends paid in any given year may not be less than 20% of total dividends distributed in that year. The final amount, type and percentage of the cash dividends and share dividends are subject to actual earnings and capital requirements of the Corporation in a particular year.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation’s paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Corporation. However, the Corporation is in compliance with Rule No. 1090150022, which was issued by the FSC on March 31, 2021. Rule No. 1010047490 was annulled on March 31, 2021 and Rule No. 1010012865 will be annulled on December 31, 2021.

The appropriations of earnings for 2020 and 2019 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2020</u>	<u>For Fiscal Year 2019</u>	<u>For Fiscal Year 2020</u>	<u>For Fiscal Year 2019</u>
Legal reserve	\$ 231,823	\$ 185,448		
Special reserve	-	89,240		
Reversal of special reserve	(89,240)	-		
Cash dividends	1,897,175	1,265,000	\$4.5	\$3.0

The above cash dividends had been proposed and approved in the board of directors on February 25, 2021 and February 26, 2020. The other appropriations of earnings for 2019 had been proposed and approved in the annual shareholder’s meeting on June 10, 2020. The Corporation suspends its originally scheduled shareholders’ meeting in response to the FSC’s announcement: “For pandemic prevention, the FSC demands public companies to postpone their shareholders’ meetings”. The shareholders’ meeting will be held on August 18, 2021. However, the voting result by way of electronic transmission regarding the appropriation of earnings for 2020 reached the legal resolution threshold and the Group adjusted the related amount accordingly.

d. Special reserves

If a special reserve appropriated on the first-time adoption of IFRSs relates to exchange differences on translation of the financial statements of foreign operations (including the subsidiaries of the Corporation), the special reserve will be reversed on a proportionate basis according to the Corporation's disposal of foreign operations; on the Corporation's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Other equity items

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unearned Employee Benefit
<u>For the six months ended June 30, 2021</u>			
Balance at January 1, 2021	\$ (446,042)	\$ 384,493	\$ (552)
Exchange differences on translating foreign operations	(71,034)	-	-
Unrealized gain arising from equity investment	-	340,107	-
Share of other comprehensive loss of associates accounted for using the equity method	(55,650)	-	-
Share-based payment transaction	<u>-</u>	<u>-</u>	<u>552</u>
Balance at June 30, 2021	<u>\$ (592,726)</u>	<u>\$ 724,600</u>	<u>\$ -</u>
<u>For the six months ended June 30, 2020</u>			
Balance at January 1, 2020	\$ (331,073)	\$ 154,946	\$ (11,524)
Exchange differences on translating foreign operations	(75,746)	-	-
Unrealized gain arising from equity investment	-	49,391	-
Share of other comprehensive loss of associates accounted for using the equity method	(35,679)	(7)	-
Share-based payment transaction	-	-	10,309
Disposal of equity investments	<u>(87)</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2020	<u>\$ (442,585)</u>	<u>\$ 204,330</u>	<u>\$ (1,215)</u>

f. Non-controlling interests

	For the Six Months Ended June 30	
	2021	2020
Balance, beginning of the period	\$ 325,470	\$ 296,699
Share of non-controlling interests		
Net profit	39,007	27,089
Exchange differences on translating the financial statements of foreign entities	(6,478)	(6,674)
Change in equity from issuance of ordinary shares by subsidiaries	21,646	-
Cash dividends distributed by subsidiaries	(2,893)	-
Unrealized loss on financial assets at FVTOCI	<u>-</u>	<u>(51)</u>
Balance, end of the period	<u>\$ 376,752</u>	<u>\$ 317,063</u>

g. Treasury shares

The Corporation's shares held by its subsidiary at the end of the reporting periods were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares held (in thousands of shares)	<u>1,806</u>	<u>1,806</u>	<u>1,916</u>
Carrying amount	<u>\$ 33,686</u>	<u>\$ 33,686</u>	<u>\$ 35,714</u>
Market price	<u>\$ 345,768</u>	<u>\$ 303,337</u>	<u>\$ 290,210</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

23. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Revenue from contracts with customers				
Revenue from sale of goods	\$ 4,124,083	\$ 3,698,758	\$ 8,162,561	\$ 6,892,880
Construction contract revenue	221,405	129,625	364,340	306,047
Other revenue	<u>99,898</u>	<u>185</u>	<u>191,763</u>	<u>590</u>
	<u>\$ 4,445,386</u>	<u>\$ 3,828,568</u>	<u>\$ 8,718,664</u>	<u>\$ 7,199,517</u>

a. Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020
Contract assets - construction contract (1)	\$ 831,184	\$ 1,278,936	\$ 1,232,019
Contract liabilities - sale of goods (1)	\$ 467,428	\$ 430,039	\$ 329,773
Contract liabilities - construction contract (1)	30,145	27,643	13,392
Contract liabilities - advance receipts for real estate (2)	<u>-</u>	<u>308,000</u>	<u>-</u>
	<u>\$ 497,573</u>	<u>\$ 765,682</u>	<u>\$ 343,165</u>

1) The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and respective customer's payment.

2) Refer to Notes 14 and 30 for related information.

b. Disaggregation of revenue

Refer to Note 36 for the information on disaggregation of revenue.

24. ADDITIONAL INFORMATION ON EXPENSES

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest on borrowings	\$ 8,966	\$ 14,492	\$ 19,279	\$ 28,800
Interest on lease liabilities	<u>414</u>	<u>1,103</u>	<u>3,115</u>	<u>2,526</u>
	<u>\$ 9,380</u>	<u>\$ 15,595</u>	<u>\$ 22,394</u>	<u>\$ 31,326</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
An analysis of depreciation by function				
Operating costs	\$ 38,029	\$ 20,245	\$ 58,784	\$ 40,539
Operating expenses	<u>104,040</u>	<u>85,631</u>	<u>195,499</u>	<u>172,488</u>
	<u>\$ 142,069</u>	<u>\$ 105,876</u>	<u>\$ 254,283</u>	<u>\$ 213,027</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 3,826</u>	<u>\$ 1,548</u>	<u>\$ 7,071</u>	<u>\$ 3,096</u>

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term benefits	\$ 897,741	\$ 844,281	\$ 1,828,828	\$ 1,727,113
Share-based payments (Note 27)	1,083	4,417	1,415	12,275
Post-employment benefits				
Defined contribution plans	20,871	22,467	44,935	46,280
Defined benefit plans (Note 21)	1,753	1,189	2,801	2,383
Other employee benefits	<u>19,741</u>	<u>16,189</u>	<u>38,347</u>	<u>31,431</u>
	<u>\$ 941,189</u>	<u>\$ 888,543</u>	<u>\$ 1,916,326</u>	<u>\$ 1,819,482</u>
Summarized by function				
Operating costs	\$ 171,971	\$ 145,102	\$ 318,414	\$ 283,268
Operating expenses	<u>769,218</u>	<u>743,441</u>	<u>1,597,912</u>	<u>1,536,214</u>
	<u>\$ 941,189</u>	<u>\$ 888,543</u>	<u>\$ 1,916,326</u>	<u>\$ 1,819,482</u>

d. Compensation of employees' and remuneration of directors

According to the Article of Incorporation of the Corporation, the Corporation accrues compensation of employees and remuneration of directors at the rates of 5%-20% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months and the six months ended June 30, 2021 and 2020, the compensation of employees and remuneration of directors are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30			
	2021	2020	2021		2020	
	Amount	Amount	Amount	Rate %	Amount	Rate %
Compensation of employees	<u>\$ 97,000</u>	<u>\$ 99,000</u>	<u>\$ 235,000</u>	6.76	<u>\$ 187,000</u>	12.71
Remuneration of directors	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 4,800</u>	0.14	<u>\$ 4,800</u>	0.33

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations for compensation of employees and remuneration of directors for 2020 and 2019 that were resolved by the board of directors on February 25, 2021 and February 26, 2020, respectively, are as shown below:

	For the Year Ended December 31	
	2020	2019
Compensation of employees - cash	\$ 383,845	\$ 290,000
Remuneration of directors - cash	9,600	9,600

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 131,844	\$ 137,367	\$ 329,704	\$ 248,814
Land value incremental tax	-	-	200,196	-
Income tax on unappropriated earnings	14,307	14,990	14,307	14,990
Adjustments for prior periods	<u>4,818</u>	<u>391</u>	<u>4,818</u>	<u>391</u>
	150,969	152,748	549,025	264,195
Deferred tax				
In respect of the current period	<u>28,364</u>	<u>28,514</u>	<u>60,278</u>	<u>38,445</u>
Income tax expense recognized in profit or loss	<u>\$ 179,333</u>	<u>\$ 181,262</u>	<u>\$ 609,303</u>	<u>\$ 302,640</u>

- b. Income tax assessments

The Corporation's income tax returns through 2018 have been assessed by the tax authorities.

The income tax returns through 2019 of the Corporation's subsidiaries - Mas Automation Corp., Testar Electronics Corp., Adivic Technology Co., Ltd., Innovative Nanotech Inc., Chroma Investment Co., Touch Cloud Inc. and EVT Technology Co., Ltd. have been assessed by the tax authorities.

The income tax returns through 2018 of the Corporation's subsidiary - Chroma New Material Corp., have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 481,079</u>	<u>\$ 583,769</u>	<u>\$ 2,728,600</u>	<u>\$ 1,054,271</u>

Shares

(In Thousands of Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	419,567	416,647	419,502	416,409
Effect of potentially dilutive ordinary shares:				
Employee share options	635	1,170	700	1,544
Employee restricted shares	-	1,134	-	1,136
Compensation of employees	<u>1,227</u>	<u>911</u>	<u>1,772</u>	<u>1,506</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>421,429</u>	<u>419,862</u>	<u>421,974</u>	<u>420,595</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Corporation

The Corporation had not granted employee share options for the six months ended June 30, 2021 and 2020. Information on employee share options is as follows:

	For the Six Months Ended June 30			
	2021		2020	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,238	\$ 58.7	3,136	\$ 59.8
Options exercised	<u>(337)</u>	58.7	<u>(1,340)</u>	59.8
Balance at June 30	<u>901</u>	57.3	<u>1,796</u>	59.8
Options exercisable, end of the period	<u>901</u>		<u>1,796</u>	

b. Employee share option plan of subsidiaries

Adivic Technology Co. granted its employees share options of 1,360 thousand units on March 12, 2014, with each option eligible to subscribe for one common share of Adivic Technology Co. when exercised. The options are valid for 8 years and exercisable at certain percentages subsequent to the second year of the grant date.

The outstanding employee share options were 625 thousand and 785 thousand units, respectively, and the weighted-average exercise price was \$10 per share, there was no change for the six months ended June 30, 2021 and 2020.

The qualified employees of Touch Cloud Inc. were granted 470 thousand units of share options in April 2020, each option entitled the holders to subscribe for one common share of Touch Cloud Inc. upon exercised. The options granted are valid for 5 years and exercisable at certain percentages from the second anniversary of the grant date. The exercise price is \$10 per share according to the terms of the employee share option plan.

The outstanding employee share options were 470 thousand units and the weighted-average exercise price was \$10 per share, there was no change for the six months ended June 30, 2021.

The above-mentioned employee share options used Black-Scholes model to determine the fair value of the options. The valuation assumptions on the grant date were as follows:

	April 2020
Grant-date share price	\$3.71
Exercise price	\$10
Expected volatility	36.64%-38.24%
Expected life (in years)	3.5-4.5
Expected dividend yield	-
Risk-free interest rate	0.39%-0.42%

c. Restricted shares for employees

In the shareholders' meeting on June 7, 2016, the shareholders approved a Restricted Share Unit Plan ("RSU" Plan) for employees with a total amount of \$36,000 thousand, consisting of 3,600 thousand shares with issuance price of \$10 per share. It can be issued at one time or several times depending on the circumstances. The RSU Plan was approved under Rule No. 1050024381 issued by the FSC on June 27, 2016. The Group issued 3,100 thousand and 185 thousand shares on July 8, 2016 and June 20, 2017, respectively, which are the subscription date. The details of RSU Plan are as follows:

- 1) Employees who are granted RSUs, upon meeting the Corporation's financial performance and personal performance indicators, are eligible to be vested 10, 20, 30 and 40 percent of the RSUs granted after 1, 2, 3 and 4 years of tenure after the subscription date, respectively.
- 2) The restrictions on the rights of the employees who are granted RSUs but have not met the vesting conditions are as follows:
 - a) The employees are not eligible to sell, pledge, transfer, donate or to dispose of any RSUs in any form.
 - b) The employees holding RSUs are entitled to receive dividends and similar purchasing rights to ordinary shares during capital increase. Dividends from RSUs are not restricted during the vesting period and are appropriated to the employees' personal account from trust account after the dividend distribution date.

- c) Before the restricted shares are vested to the employees, the right of attendance, proposal, speech, voting and other rights of shareholders are acted by the custodian.
 - d) The RSUs should be delivered to trust custodians upon grant date. The employees cannot request for return in any manner before vesting conditions are met.
- 3) If an employee fails to meet the vesting conditions, the Corporation will recall or buy back and cancel the restricted shares at issued price. If an employee voluntarily resigns, retires, disabled or decease due to occupational hazards, dismissed, be transferred to another post, violates labor contracts or working protocols substantially or abandons restricted shares, related guidelines of RSU Plan will be followed accordingly.

Information relating to outstanding employee restricted shares is as follows:

	For the Six Months Ended June 30	
	2021	2020
Restricted shares at the beginning of the period	52	1,285
Shares vested	(52)	(39)
Shares canceled	<u>-</u>	<u>(12)</u>
Restricted shares at the end of the period	<u><u>-</u></u>	<u><u>1,234</u></u>

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's capital management aims to maintain the sufficiency of financial resources and the soundness of operating strategies to meet the needs for operating capital, capital expenditure, R&D expenses, debt handling, dividend disbursement, etc.

29. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximates their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>June 30, 2021</u>				
Financial assets at FVTPL				
Domestic listed equity securities	\$ 6,702	\$ -	\$ -	\$ 6,702
Domestic unlisted equity securities	-	-	59,831	59,831
Open-end beneficiary certificates	<u>703,992</u>	<u>-</u>	<u>4,684</u>	<u>708,676</u>
	<u>\$ 710,694</u>	<u>\$ -</u>	<u>\$ 64,515</u>	<u>\$ 775,209</u>
Financial assets at FVTOCI				
Domestic listed ordinary shares and emerging markets shares	\$ 428,298	\$ -	\$ 613,276	\$ 1,041,574
Domestic unlisted equity securities	-	-	129,023	129,023
Foreign unlisted equity securities	<u>-</u>	<u>-</u>	<u>22,571</u>	<u>22,571</u>
	<u>\$ 428,298</u>	<u>\$ -</u>	<u>\$ 764,870</u>	<u>\$ 1,193,168</u>
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Domestic listed equity securities	\$ 4,763	\$ -	\$ -	\$ 4,763
Domestic unlisted equity securities	-	-	58,830	58,830
Open-end beneficiary certificates	<u>445,422</u>	<u>-</u>	<u>4,646</u>	<u>450,068</u>
	<u>\$ 450,185</u>	<u>\$ -</u>	<u>\$ 63,476</u>	<u>\$ 513,661</u>
Financial assets at FVTOCI				
Domestic listed ordinary shares and emerging markets shares	\$ 376,499	\$ -	\$ 347,474	\$ 723,973
Domestic unlisted equity securities	-	-	131,196	131,196
Foreign unlisted equity securities	<u>-</u>	<u>-</u>	<u>7,729</u>	<u>7,729</u>
	<u>\$ 376,499</u>	<u>\$ -</u>	<u>\$ 486,399</u>	<u>\$ 862,898</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>June 30, 2020</u>				
Financial assets at FVTPL				
Domestic listed equity securities	\$ 3,934	\$ -	\$ -	\$ 3,934
Domestic unlisted equity securities	-	-	52,173	52,173
Open-end beneficiary certificates	<u>380,683</u>	<u>-</u>	<u>4,215</u>	<u>384,898</u>
	<u>\$ 384,617</u>	<u>\$ -</u>	<u>\$ 56,388</u>	<u>\$ 441,005</u>
Financial assets at FVTOCI				
Domestic listed ordinary shares and emerging markets shares	\$ 407,205	\$ -	\$ 145,692	\$ 552,897
Domestic unlisted equity securities	-	-	103,858	103,858
Foreign unlisted equity securities	<u>-</u>	<u>-</u>	<u>5,057</u>	<u>5,057</u>
	<u>\$ 407,205</u>	<u>\$ -</u>	<u>\$ 254,607</u>	<u>\$ 661,812</u> (Concluded)

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2021 and 2020.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity securities, emerging market equity securities and open-end beneficiary certificates are determined by using the asset approach and the market approach. Asset approach evaluates the total market value of individual asset and liability of the evaluated target, taking into account the risk factors (lack of marketability, etc.) to estimate the fair value. Market approach refers to the transaction prices in active market of the listed companies engaging in similar business, related price multiplier, transaction and information implied by the transaction price, to arrive at the fair value.

c. Categories of financial instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily at FVTPL	\$ 775,209	\$ 513,661	\$ 441,005
Financial assets at amortized cost (1)	9,054,576	8,439,251	7,668,655
Financial assets at FVTOCI			
Equity instruments	1,193,168	862,898	661,812
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	7,114,823	9,547,767	10,007,825

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables, other receivables (classified as other current assets) and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables, other payables, long-term loans (including current portion of long-term borrowings) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments consist of equity investments, cash and cash equivalents, receivables, long-term and short-term borrowings and trade payables. The Group's financial risk management pertains to financial risks relating to the operations of the Group, including currency risk, interest rate risk, credit risk and liquidity risk. The Group seeks to identify, evaluate and hedge against market uncertainties to lower the effect of market changes on the Group's financial performance.

The Group manages foreign exchange risk through setting up of foreign currency deposit bank accounts and through the use of foreign currency directly received from sale to pay for purchases in foreign currency to reduce the impact of foreign exchange fluctuation and to achieve a natural hedge effect. The Group actively observes the exchange rate information to fully control the foreign currency hedge.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in exchange rates (see item (a) below), interest rates (see item (b) below) and price (see item (c) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

Had the NTD strengthened/weakened by 5% against the relevant currency, the pre-tax profit would have decreased/increased by \$161,653 thousand and \$226,753 thousand for the six months ended June 30, 2021 and 2020, respectively. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and their translation at period-end is adjusted for a 5% change in foreign-currency rates.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds both at fixed and floating interest rates. The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the financial assets and liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Fair value interest rate risk			
Financial assets	\$ 1,467,047	\$ 1,176,504	\$ 664,392
Financial liabilities	787,880	1,537,030	786,742
Cash flow interest rate risk			
Financial assets	2,647,712	2,753,550	2,466,869
Financial liabilities	2,506,242	4,202,894	4,108,867

Sensitivity analysis

The sensitivity analysis below has been determined on the basis of the exposure to interest rates for both derivative and non-derivative instruments at balance sheet dates. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the balance sheet dates was outstanding for the entire period. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2021 and 2020 would decrease/increase by \$354 thousand and decrease/increase by \$4,105 thousand, respectively, which was mainly a result of the Group's exposure to cash flow risk from variable-rate deposits and bank loans.

c) Price risk

The Group is exposed to equity price risks mainly arising from the following:

- i. Investments in financial assets at FVTOCI (mainly investments in domestic and foreign shares), which are held for strategic rather than trading purposes. The Group does not actively trade these investments.
- ii. Financial assets at FVTPL (mainly investments in domestic and foreign open-end beneficiary certificates and listed shares in Taiwan)

The Group manages risk through holding various investment portfolios and having each equity investment get prior approval from the Group's management.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the pre-tax profit for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$38,760 thousand and \$22,050 thousand as a result of the changes in fair values of financial assets at FVTPL, respectively, and the pre-tax other comprehensive income for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$59,658 thousand and \$33,091 thousand as a result of the changes in fair values of financial assets at FVTOCI, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could arise from:

- a) The carrying amount of trade receivables from operating activities; and
- b) The amount of bank deposits, fixed-income and other financial instruments from investing activities.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables involve a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables, including the evaluation of internal credits, historical transaction records, present economic circumstances, etc. which affect the customers' payment ability.

The credit risk of the Group's trade receivables is mainly concentrated on specific customers in mainland China. The Group had properly assessed the expected credit loss of relevant trade receivables. As of June 30, 2021, December 31, 2020 and June 30, 2020, the above trade receivables accounted for 12.89%, 12.48% and 12.49%, respectively, of the total trade receivables.

The credit risk of bank deposits, fixed-income financial instruments and other financial instruments are evaluated, managed and controlled by the Group's financial department. The Group's exposure to credit risk was limited because the Group adopted a policy of only dealing with creditworthy counterparties.

3) Liquidity risk

The Group manages liquidity risk by managing and maintaining sufficient cash and cash equivalents to supply the Group's demand and mitigate the effects of fluctuations in cash flow. The Group continuously monitors the use of credit lines and conformity to loan terms.

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2021, December 31, 2020 and June 30, 2020, the Group had available unutilized bank loan facilities of \$5,591,771 thousand, \$3,244,091 thousand and \$4,901,697 thousand, respectively.

Liquidity and interest risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	June 30, 2021		
	Within 1 Year	1 to 5 Years	More Than 5 Years
Non-interest bearing	\$ 6,037,350	\$ -	\$ -
Fixed interest rate instruments	275,980	15,689	136,506
Floating interest rate instruments	1,072,768	1,395,148	82,262
Lease liabilities	<u>185,472</u>	<u>407,866</u>	<u>12,953</u>
	<u>\$ 7,571,570</u>	<u>\$ 1,818,703</u>	<u>\$ 231,721</u>
	December 31, 2020		
	Within 1 Year	1 to 5 Years	More Than 5 Years
Non-interest bearing	\$ 3,914,549	\$ -	\$ -
Fixed interest rate instruments	1,314,065	32,551	83,505
Floating interest rate instruments	1,908,542	2,182,924	176,862
Lease liabilities	<u>59,308</u>	<u>89,946</u>	<u>5,224</u>
	<u>\$ 7,196,464</u>	<u>\$ 2,305,421</u>	<u>\$ 265,591</u>
	June 30, 2020		
	Within 1 Year	1 to 5 Years	More Than 5 Years
Non-interest bearing	\$ 5,241,271	\$ -	\$ -
Fixed interest rate instruments	512,870	81,512	90,513
Floating interest rate instruments	1,625,103	2,252,316	302,081
Lease liabilities	<u>69,083</u>	<u>80,649</u>	<u>7,836</u>
	<u>\$ 7,448,327</u>	<u>\$ 2,414,477</u>	<u>\$ 400,430</u>

After considering the financial position of the Group, management does not expect the banks will execute their rights of requiring the Group to repay the bank loans immediately. In addition, management believes the operating funds of the Corporation and subsidiaries are sufficient to meet cash flow demand; thus, liquidity risk is not considered significant.

The Group's operating funds are sufficient to meet its cash flow demand, as a result, the Group does not use its overdraft limit.

30. TRANSACTIONS WITH RELATED PARTIES

- a. The related parties and relationships with the Group were as follows:

<u>Related Party</u>	<u>Relationship with the Group</u>
Dynascan Technology Corp. (“Dynascan Technology”)	Associate
Adlink Technology Inc. (“Adlink”)	Associate
DynaScan Technology Inc. (“Dynascan USA”)	Other related party (a subsidiary of associate)
Mou Kuan Industry Co., Ltd. (“Mou Kuan”)	Other related party
Quantel Co., Ltd. (“Quantel Thailand”)	Other related party
Quantel Electronics (India) Private Limited (“Quantel India”)	Other related party
PT Quantel (“Quantel Indonesia”)	Other related party
Taiwan Advanced Nanotech Inc. (“TAN Bead”)	Other related party

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

The related-party transactions were conducted under normal terms unless specified otherwise.

- b. Sales

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associates	\$ 5,700	\$ 5,118	\$ 9,838	\$ 8,733
Other related parties	<u>14,514</u>	<u>14,054</u>	<u>18,576</u>	<u>24,725</u>
	<u>\$ 20,214</u>	<u>\$ 19,172</u>	<u>\$ 28,414</u>	<u>\$ 33,458</u>

- c. Purchases

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associates	\$ 4,100	\$ 8,344	\$ 10,435	\$ 11,880
Other related parties	<u>4,665</u>	<u>5,738</u>	<u>6,368</u>	<u>7,088</u>
	<u>\$ 8,765</u>	<u>\$ 14,082</u>	<u>\$ 16,803</u>	<u>\$ 18,968</u>

- d. Contract liabilities

Related Party Category/Name	June 30, 2021	December 31, 2020	June 30, 2020
Associates			
Adlink Technology Inc.	<u>\$ -</u>	<u>\$ 308,000</u>	<u>\$ -</u>

Refer to Note 23 for the detailed information.

e. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Categories	June 30, 2021	December 31, 2020	June 30, 2020
Trade receivables - related parties	Associates	\$ 7,321	\$ 5,041	\$ 5,819
	Other related parties	<u>19,205</u>	<u>14,299</u>	<u>39,005</u>
		<u>\$ 26,526</u>	<u>\$ 19,340</u>	<u>\$ 44,824</u>

Outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Categories	June 30, 2021	December 31, 2020	June 30, 2020
Notes payable - related parties	Associates	\$ 130	\$ -	\$ -
	Other related parties	<u>5,199</u>	<u>4,570</u>	<u>1,191</u>
		<u>\$ 5,329</u>	<u>\$ 4,570</u>	<u>\$ 1,191</u>
Trade payables - related parties	Associates	\$ 3,474	\$ 6,613	\$ 6,716
	Other related parties	<u>450</u>	<u>4,740</u>	<u>3,915</u>
		<u>\$ 3,924</u>	<u>\$ 11,353</u>	<u>\$ 10,631</u>

g. Disposal of property, plant and equipment

Related Party Category	Proceeds		Gain on Disposal	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Associates				
Adlink Technology Inc.	<u>\$ 3,080,000</u>	<u>\$ -</u>	<u>\$ 1,575,072</u>	<u>\$ -</u>

The transfer rights recognized as a result of sale and leaseback transactions amounted to \$154,510 thousand for the six months ended June 30, 2021. Refer to Notes 14, 15, and 23 for the detailed information.

h. Lease arrangements

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
	<u>Acquisitions of right-of-use assets</u>			
Associates				
Adlink Technology Inc.	<u>\$ 51,256</u>	<u>\$ -</u>	<u>\$ 180,053</u>	<u>\$ -</u>

Line Item	Related Party Categories	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities	Associates Adlink Technology Inc.	<u>\$ 211,080</u>	<u>\$ -</u>	<u>\$ -</u>

Refer to Notes 14, 15 and 23 for the related transaction.

i. Others

Line Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2021	2020	2021	2020
Rental income	Associates	<u>\$ 1,652</u>	<u>\$ 315</u>	<u>\$ 3,305</u>	<u>\$ 630</u>
Rent expense	Associates	\$ 129	\$ -	\$ 129	\$ -
	Other related parties	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>6,300</u>
		<u>\$ 129</u>	<u>\$ 3,150</u>	<u>\$ 129</u>	<u>\$ 6,300</u>
Administration expense	Associates	\$ 831	\$ 63	\$ 921	\$ 63
	Other related parties	<u>700</u>	<u>886</u>	<u>1,452</u>	<u>2,119</u>
		<u>\$ 1,531</u>	<u>\$ 949</u>	<u>\$ 2,373</u>	<u>\$ 2,182</u>

Line Item	Related Party Categories	June 30, 2021	December 31, 2020	June 30, 2020
Other current assets	Associates	\$ 2,683	\$ 523	\$ 528
	Other related parties	<u>658</u>	<u>1,264</u>	<u>2,269</u>
		<u>\$ 3,341</u>	<u>\$ 1,787</u>	<u>\$ 2,797</u>
Other payables	Associates	<u>\$ 2,286</u>	<u>\$ -</u>	<u>\$ -</u>

j. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 49,184	\$ 35,936	\$ 95,289	\$ 72,303
Post-employment benefits	<u>770</u>	<u>599</u>	<u>1,413</u>	<u>1,219</u>
	<u>\$ 49,954</u>	<u>\$ 36,535</u>	<u>\$ 96,702</u>	<u>\$ 73,522</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for bank loans, product warranties and lawsuit deposit were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Property, plant and equipment, net	\$ 216,257	\$ 815,553	\$ 948,943
Pledge deposits (classified as financial assets measured at amortized cost)	<u>727,343</u>	<u>729,393</u>	<u>483,492</u>
	<u>\$ 943,600</u>	<u>\$ 1,544,946</u>	<u>\$ 1,432,435</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Chroma's subsidiary, MAS Automation Corporation ("MAS"), entered into an Equipment Purchase Agreement ("Agreement") with LINCO Technology Co., Ltd ("LINCO") in 2017, in which MAS entrusted LINCO to manufacture automation equipment. However, LINCO failed to deliver a considerable number of important parts of the equipment to MAS; furthermore, LINCO rejected to perform its installation services under the Agreement. Hence, MAS claimed for a delay penalty of \$2,503,659 thousand (around US\$83,455 thousand) against LINCO, of which MAS filed a civil lawsuit on November 12, 2018 for \$440,000 thousand, and the remaining penalty was reserved for the right to claim in the future. In addition, MAS submitted a petition to the court for provisional attachment against LINCO to secure its right, and offered a deposit in an amount of \$440,000 thousand to the court. Whereas, LINCO conversely alleged that MAS breached its payment obligation under the Agreement. LINCO raised a counterclaim against MAS in the Taiwan Taoyuan District Court on October 30, 2019, claiming for the payment of \$255,640 thousand (around US\$8,240 thousand) along with the interest. On the other hand, LINCO asserted that it suffered from the provisional attachment which was submitted by MAS, and brought another civil lawsuit against MAS in the Taiwan Taichung High Court, claiming for the damage compensation of \$505,521 thousand. The case had been pronounced by the court on May 12, 2021. The court rejected the compensatory damage and the request for claim of provisional execution by LINCO. As such, LINCO made an appeal to the Taiwan Supreme Court on June 9, 2021. As of June 30, 2021, the lawsuit has yet to be settled, and the outcome of the judgment cannot be reliably estimated.

33. SIGNIFICANT EVENTS

- a. The global economic and financial development are facing significant uncertainty due to the outbreak of COVID-19 pandemic. Recently, Taiwan has been affected by the epidemic. As of the date the consolidated financial statements were authorized for issue, the Group assessed that the pandemic did not have material impact on its ability to continue as a going concern, impairment of assets and risks arising from financing activities. The Group continuously observes and assesses the impact of the pandemic on the aforementioned aspects.
- b. The Group considers the future strategy of the product and the improvement of product competitiveness, and the Corporation's board of directors resolved to invest US\$1.5 million for a 100% equity in Environmental Stress Systems, Inc. Upon completion of the investment procedures, the Group will increase its capital by US\$500,000.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

June 30, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 99,201	27.860 (USD:NTD)	\$ 2,763,726
USD	14,072	6.466 (USD:RMB)	392,032
USD	11,178	7.767 (USD:HKD)	311,431
USD	7,470	1.344 (USD:SGD)	208,117
RMB	143,959	4.309 (RMB:NTD)	620,319
RMB	102,004	1.201 (RMB:HKD)	439,535
RMB	34,834	0.155 (RMB:USD)	<u>150,100</u>
			<u>\$ 4,885,260</u>
<u>Non-monetary items</u>			
Investments accounted for using the equity method			
USD	90,541	27.860 (USD:NTD)	<u>\$ 2,522,482</u>
<u>Financial liabilities</u>			
Monetary items			
USD	42,899	27.860 (USD:NTD)	\$ 1,195,181
USD	11,055	7.767 (USD:HKD)	307,984
RMB	34,589	1.201 (RMB:HKD)	<u>149,044</u>
			<u>\$ 1,652,209</u>

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 113,578	28.480 (USD:NTD)	\$ 3,234,710
USD	20,512	7.754 (USD:HKD)	584,178
USD	9,108	6.507 (USD:RMB)	259,401
USD	8,315	0.813 (USD:EUR)	236,801
USD	7,437	1.321 (USD:SGD)	211,797
RMB	135,694	4.377 (RMB:NTD)	593,933
RMB	132,021	1.192 (RMB:HKD)	577,856
RMB	34,682	0.154 (RMB:USD)	<u>151,803</u>
			<u>\$ 5,850,479</u>

Non-monetary items

Investments accounted for using the equity
method

USD	86,592	28.480 (USD:NTD)	<u>\$ 2,466,146</u>
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Financial liabilities

Monetary items

USD	31,401	28.480 (USD:NTD)	\$ 894,301
USD	13,355	7.754 (USD:HKD)	380,346
USD	8,208	0.813 (USD:EUR)	<u>233,763</u>

\$ 1,508,410

June 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 110,079	29.630 (USD:NTD)	\$ 3,261,650
USD	21,374	7.750 (USD:HKD)	633,321
USD	5,783	1.395 (USD:SGD)	171,348
USD	5,086	7.080 (USD:RMB)	150,704
RMB	166,459	4.191 (RMB:NTD)	697,630
RMB	163,987	1.096 (RMB:HKD)	687,270
RMB	34,336	0.141 (RMB:USD)	<u>143,902</u>
			<u>\$ 5,745,825</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Non-monetary items</u>			
Investments accounted for using the equity method			
USD	\$ 75,293	29.630 (USD:NTD)	<u>\$ 2,233,910</u>
<u>Financial liabilities</u>			
Monetary items			
USD	32,609	29.630 (USD:NTD)	\$ 966,199
RMB	58,355	1.096 (RMB:HKD)	<u>244,566</u>
			<u>\$ 1,210,765</u>
			(Concluded)

For the three months ended June 30, 2021 and 2020, realized and unrealized net foreign exchange losses were \$44,114 thousand and \$63,799 thousand, respectively. For the six months ended June 30, 2021 and 2020, realized and unrealized net foreign exchange losses were \$67,738 thousand and \$31,774 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisitions of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Trading in derivative instruments: None.

10) Others: Intercompany relationships and significant intercompany transactions: Table 7 (attached)

11) Information on investees: Table 8 (attached)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9 (attached)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 5 (attached)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5 (attached)

c) The amount of property transactions and the amount of the resultant gains or losses: None.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2 (attached)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1 (attached)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of products delivered or services provided. The Group's reportable segments are as follows:

a. Special materials department.

b. Test instrument department.

c. Automatic equipment department.

d. Other

1) Segment revenue and results

	Special Materials Department	Test Instrument Department	Automatic Equipment Department	Other	Elimination	Total
For the six months ended <u>June 30, 2021</u>						
Revenue from external customers	\$ 1,457,290	\$ 6,705,271	\$ 364,340	\$ 191,763	\$ -	\$ 8,718,664
Inter-segment revenue	-	4,281,756	181,285	-	(4,463,041)	-
Segment revenue	<u>\$ 1,457,290</u>	<u>\$ 10,987,027</u>	<u>\$ 545,625</u>	<u>\$ 191,763</u>	<u>\$ (4,463,041)</u>	<u>\$ 8,718,664</u>
Consolidated revenue						<u>\$ 8,718,664</u>
Segment income	<u>\$ 27,861</u>	<u>\$ 1,590,234</u>	<u>\$ (191,566)</u>	<u>\$ 31,561</u>	<u>\$ 20,821</u>	\$ 1,478,911
Non-operating income and expenses						<u>1,897,999</u>
Profit before tax						<u>\$ 3,376,910</u>
For the six months ended <u>June 30, 2020</u>						
Revenue from external customers	\$ 1,170,996	\$ 5,579,719	\$ 306,047	\$ 142,755	\$ -	\$ 7,199,517
Inter-segment revenue	7	4,156,858	121,529	386	(4,278,780)	-
Segment revenue	<u>\$ 1,171,003</u>	<u>\$ 9,736,577</u>	<u>\$ 427,576</u>	<u>\$ 143,141</u>	<u>\$ (4,278,780)</u>	<u>\$ 7,199,517</u>
Consolidated revenue						<u>\$ 7,199,517</u>
Segment income	<u>\$ 19,973</u>	<u>\$ 1,347,720</u>	<u>\$ (69,349)</u>	<u>\$ (10,741)</u>	<u>\$ 30,957</u>	\$ 1,318,560
Non-operating income and expenses						<u>65,440</u>
Profit before tax						<u>\$ 1,384,000</u>

The sales between segments are based on fair value.

The above revenue was generated through transactions with external customers and among segments. The inter-segment revenue for the six months ended June 30, 2021 and 2020 had been adjusted and eliminated from the consolidated financial statements.

Segment profit represents the profit earned by each segment, excluding remuneration of directors, share of profits or loss of associates and joint ventures, rental income, interest income, gain (loss) on disposal of property, plant and equipment, gain (loss) on disposal of investments, foreign exchange gain (loss), valuation gain (loss) on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker to allocate resources to each segment and evaluate its performance.

2) Segment assets and liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Segment assets</u>			
Special materials department	\$ 1,087,756	\$ 1,063,918	\$ 863,281
Test instrument department	22,991,570	22,569,260	22,145,185
Automatic equipment department	2,268,536	2,330,813	2,933,313
Other	389,206	274,843	291,559
Adjustments and eliminations	<u>(4,520,779)</u>	<u>(3,977,415)</u>	<u>(4,960,924)</u>
Total segment assets	22,216,289	22,261,419	21,272,414
Investments and other unallocated assets	<u>6,598,275</u>	<u>5,867,464</u>	<u>4,974,431</u>
Consolidated total assets	<u>\$ 28,814,564</u>	<u>\$ 28,128,883</u>	<u>\$ 26,246,845</u>

(Continued)

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Segment liabilities</u>			
Special materials department	\$ 806,032	\$ 834,982	\$ 574,924
Test instrument department	8,675,018	6,262,348	7,828,089
Automatic equipment department	1,111,202	1,410,681	1,491,500
Other	125,596	86,490	94,231
Adjustments and eliminations	<u>(3,039,218)</u>	<u>(3,067,754)</u>	<u>(3,646,423)</u>
Total segment liabilities	7,678,630	5,526,747	6,342,321
Borrowings and other unallocated liabilities	<u>3,625,591</u>	<u>6,213,443</u>	<u>5,274,244</u>
Consolidated total liabilities	<u>\$ 11,304,221</u>	<u>\$ 11,740,190</u>	<u>\$ 11,616,565</u> (Concluded)

For the purpose of monitoring segment performance and allocating resources between segments:

- a) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, investments in financial instruments and deferred tax assets. Goodwill was allocated to reportable segments.
- b) All liabilities were allocated to reportable segments other than borrowings and deferred tax liabilities.

CHROMA ATE INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE SIX MONTHS ENDED JUNE 30, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 4)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Corporation	Chroma Systems Solutions, Inc.	Other receivables	Y	\$ 103,822	\$ 102,429	\$ 102,429	3.25%	a	\$ 260,612	-	\$ -	-	\$ -	\$ 1,713,359 (Note 1)	\$ 3,426,718 (Note 2)
		Chroma Japan Corp.	Other receivables	Y	127,905	127,905	59,018	1.30%	a	139,517	-	-	-	-	1,713,359 (Note 1)	3,426,718 (Note 2)

Note 1: Based on 10% of the net value of the Corporation.

Note 2: Based on 20% of the net value of the Corporation.

Note 3: The amounts listed in columns were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$27.860, JPY1=NT\$0.252, as of June 30, 2021.

Note 4: Financing provided:

- a. For transactions.
- b. For short-term financing.

CHROMA ATE INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Chroma Japan Corp.	Subsidiary	\$ 2,570,039	\$ 50,400	\$ 50,400	\$ 37,800	\$ -	0.29%	\$ 5,140,077	Y	-	-
		Chroma ATE Europe B.V.	Subsidiary	2,570,039	49,725	49,725	33,150	-	0.29%	5,140,077	Y	-	-
		Chroma ATE Inc.	Subsidiary	2,570,039	222,880	222,880	139,300	-	1.30%	5,140,077	Y	-	-
		Sajet System Technology (Suzhou) Co., Ltd.	Subsidiary	2,570,039	21,545	21,545	-	-	0.13%	5,140,077	Y	-	Y
		Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary	2,570,039	43,090	43,090	13,573	-	0.25%	5,140,077	Y	-	Y
		Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	2,570,039	86,180	86,180	2,191	-	0.50%	5,140,077	Y	-	Y

Note 1: According to Regulation of the "Procedures for Endorsement/Guarantee and lending of Funds", the Corporation limits the endorsement/guarantee amount on each entity to (a) within 15% of the net value of the Corporation and (b) the capital issued of the entity endorsed/guaranteed, but 100% held subsidiary is not limited by the regulation.

Note 2: According to Regulation of the "Procedures for Endorsement/Guarantee and Lending of Funds", the Corporation limits the endorsement/guarantee amount within the 30% of the net value of the Corporation.

Note 3: The amounts listed in columns were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$27.860, JPY1=NT\$0.252, RMB1=NT\$4.309, EUR1=NT\$33.150 as of June 30, 2021.

CHROMA ATE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT CONTROLLED ENTITIES)

JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	<u>Fund</u>							
	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,197	\$ 200,074	-	\$ 200,074	-
	Prudential Financial Money Market Fund	-	"	6,262	100,043	-	100,043	-
	Mega Diamond Money Market Fund	-	"	3,949	50,019	-	50,019	-
	WI Harper INC Fund VII LP	-	Financial assets at fair value through profit or loss - non-current	-	4,684	-	4,684	-
	<u>Shares</u>							
	DynaColor, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	6,050	199,358	6.1	199,358	-
	Chunghwa Telecom Co., Ltd.	-	"	412	47,012	-	47,012	-
	China Communications Media Group Co., Ltd.	-	"	26	180	-	180	-
	Tian Zheng International Precision Machinery Co., Ltd.	-	"	2,681	181,748	7.3	181,748	-
	Twoway Catv Service Inc.	-	"	3,561	53,801	4.4	53,801	-
	Taiwan Advanced Nanotech Inc.	-	"	2,430	447,580	11.5	447,580	-
	WK Technology Fund IX Ltd.	-	"	4,614	61,362	4.6	61,362	-
	WK Technology Fund IV Ltd.	-	"	202	300	1.9	300	-
	WK Technology Fund VI Ltd.	-	"	361	285	1.4	285	-
TFBS Bioscience Inc.	-	"	3,280	67,076	14.7	67,076	-	
Chroma New Material Corp.	<u>Fund</u>							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	11,600	146,924	-	146,924	-
Chroma Systems Solutions Inc.	<u>Fund</u>							
	Franklin California Tax Free Income FD Inc.	-	"	232	50,546	-	50,546	-
Chroma Investment Co., Ltd.	<u>Fund</u>							
	Hua Nan Kirin Money Market Fund	-	"	2,356	28,449	-	28,449	-
	<u>Shares</u>							
Greatek Electronics Inc.	-	"	85	6,702	-	6,702	-	
Hephas Energy Corporation	-	"	1,042	59,831	6.8	59,831	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Chen Hwa Technology Inc.	Chroma ATE Inc.	The Corporation	Financial assets at fair value through other comprehensive income - non-current	1,806	\$ 345,768	0.4	\$ 345,768	-
	Taiwan Advanced Nanotech Inc.	-	"	607	111,895	2.6	111,895	-
	Cosmactive Broadband Networks Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	4	-	0.6	-	-
	Global Mixed-mode Technology Inc.	-	"	111	-	5.1	-	-
	<u>Shares</u> Hangzhou New Material Chroma Co., Ltd.	-	"	-	22,571	19.0	22,571	-
	<u>Fund</u> Cathay Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,200	15,057	-	15,057	-
	<u>Fund</u> Mega Diamond Money Market Fund	-	"	7,000	88,667	-	88,667	-
	<u>Fund</u> Mega Diamond Money Market Fund	-	"	1,912	24,213	-	24,213	-

Note: The fair value of open-end beneficiary certificates and listed market securities was calculated based on the net asset value and closing price as of balance sheet date.

(Concluded)

CHROMA ATE INC. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
The Corporation	Land and buildings	2020.07.03	1999-2004	\$ 1,089,054	\$ 3,080,000	The full amount has been collected	\$ 1,575,072 (Note)	Adlink Technology Inc.	Association	In order to revitalize assets, increase working capital and repay debts.	Real estate appraisal reports of Cushman & Wakefield and CCIS Real Estate Joint Appraisers Firm	Sell and leaseback partial square feet of factory in Hua Ya technology park for the use of factory and employees' dormitory, and promise to lease for 5 years.

Note: The Group recognized the transfer rights and interests of \$154,510 thousand in accordance with the sale and leaseback transaction.

CHROMA ATE INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Newworld Electronics Limited	Subsidiary	(Sale)	\$ (1,150,105)	(22)	Net 365 days after monthly closing	-	-	\$ 577,477	21	-
Newworld Electronics Limited	The Corporation	Parent company	Purchase	1,150,105	100	Net 90 days after delivery	-	-	(577,477)	(100)	-
The Corporation	Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary	(Sale)	(325,692)	(6)	Net 365 days after monthly closing	-	-	62,418	2	-
Chroma Electronics (Shanghai) Co., Ltd.	The Corporation	Parent company	Purchase	325,692	100	Net 120 days after delivery	-	-	(62,418)	(100)	-
The Corporation	Chroma Electronics (Shenzhen) Co., Ltd.	Subsidiary	(Sale)	(191,853)	(4)	Net 365 days after monthly closing	-	-	63,015	2	-
Chroma Electronics (Shenzhen) Co., Ltd.	The Corporation	Parent company	Purchase	191,853	100	Net 90 days after monthly closing	-	-	(63,015)	(100)	-
The Corporation	Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	(Sale)	(193,352)	(4)	Net 365 days after monthly closing	-	-	251,870	9	-
Chroma ATE (Suzhou) Co., Ltd.	The Corporation	Parent company	Purchase	193,352	100	Net 90 days after monthly closing	-	-	(251,870)	(100)	-
The Corporation	Chroma Japan Corp.	Subsidiary	(Sale)	(139,517)	(3)	Net 365 days after monthly closing	-	-	268,357	10	-
Chroma Japan Corp.	The Corporation	Parent company	Purchase	139,517	100	Net 90 days after delivery	-	-	(268,357)	(100)	-
The Corporation	Chroma ATE Inc.	Subsidiary	(Sale)	(767,120)	(15)	Net 365 days after monthly closing	-	-	386,789	14	-
Chroma ATE Inc.	The Corporation	Parent company	Purchase	767,120	100	Net 180 days after delivery	-	-	(386,789)	(100)	-
The Corporation	Chroma Systems Solutions, Inc.	Subsidiary	(Sale)	(260,612)	(5)	Net 90 days after delivery	-	-	133,357	5	-
Chroma Systems Solutions, Inc.	The Corporation	Parent company	Purchase	260,612	100	Net 90 days after delivery	-	-	(133,357)	(100)	-
The Corporation	Chroma ATE Europe B.V.	Subsidiary	(Sale)	(173,368)	(3)	Net 365 days after monthly closing	-	-	54,381	2	-
Chroma ATE Europe B.V.	The Corporation	Parent company	Purchase	173,368	100	Net 90 days after delivery	-	-	(54,381)	(100)	-
Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co., Ltd.	Subsidiary	(Sale)	(464,339)	(38)	Net 90 days	-	-	179,201	24	-
Chroma Electronics (Shenzhen) Co., Ltd.	Newworld Electronics Limited	Parent company	Purchase	464,339	71	Net 90 days	-	-	(179,201)	(91)	-
Newworld Electronics Limited	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	(Sale)	(139,252)	(11)	Net 90 days	-	-	168,807	22	-
Chroma ATE (Suzhou) Co., Ltd.	Newworld Electronics Limited	Same parent company	Purchase	139,252	27	Net 90 days	-	-	(168,807)	(32)	-

Note: The actual credit period is longer than other customers, the recovery of receivables depends on the related parties' financial position.

CHROMA ATE INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss	
					Amount	Action Taken			
The Corporation	Newworld Electronics Limited	Subsidiary	Trade receivables	\$ 577,477	4.14	\$ -	-	\$ 227,511	\$ -
	Chroma ATE Inc.	Subsidiary	Trade receivables	386,789	3.22	-	-	-	-
	Chroma Japan Corp.	Subsidiary	Trade receivables	268,357	1.17	-	-	-	-
	Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	Trade receivables	251,870	1.83	-	-	40,197	-
	Chroma Systems Solutions, Inc.	Subsidiary	Trade receivables	133,357	4.33	-	-	39,937	-
	Chroma Systems Solutions, Inc.	Subsidiary	Other receivables - financing provided	102,429	-	-	-	304	-
	Mas Automatiom Corp.	Subsidiary	Dividends receivable	305,000	-	-	-	5,000	-
Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co, Ltd.	Subsidiary	Trade receivables	179,201	-	-	-	30,367	-
	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	Trade receivables	168,807	-	-	-	14,814	-

Note: As of July 29, 2021.

CHROMA ATE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Transaction Details			Percentage to Consolidated Total Operating Revenue or Total Assets
				Account	Amount	Transaction Terms	
0	The Corporation	Newworld Electronics Limited	a	Operating revenue	\$ 1,150,105	Note 2	13
		Chroma ATE Inc.	a	Operating revenue	767,120	Note 2	9
		Chroma Electronics (Shanghai) Co., Ltd.	a	Operating revenue	325,692	Note 2	4
		Chroma Systems Solutions, Inc.	a	Operating revenue	260,612	Note 2	3
		Chroma ATE (Suzhou) Co., Ltd.	a	Operating revenue	193,352	Note 2	2
		Chroma Electronics (Shenzhen) Co, Ltd.	a	Operating revenue	191,853	Note 2	2
		Chroma ATE Europe B.V.	a	Operating revenue	173,368	Note 2	2
		Chroma Japan Corp.	a	Operating revenue	139,517	Note 2	2
		Quantel Private Ltd.	a	Operating revenue	90,389	Note 2	1
		Testar Electronics Co.	a	Operating revenue	29,623	Note 2	-
		Adivic Technology Co.	a	Purchase	35,271	Based on regular terms	-
		Chroma ATE Inc.	a	Purchase	18,917	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	a	Commission expense	14,681	Based on regular terms	-
		Newworld Electronics Limited	a	Trade receivables	577,477	Based on regular terms	2
		Chroma ATE Inc.	a	Trade receivables	386,789	Based on regular terms	1
		Chroma Japan Corp.	a	Trade receivables	268,357	Based on regular terms	1
		Chroma ATE (Suzhou) Co., Ltd.	a	Trade receivables	251,870	Based on regular terms	1
		Chroma Systems Solutions, Inc.	a	Trade receivables	133,357	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Trade receivables	63,015	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	a	Trade receivables	62,418	Based on regular terms	-
		Chroma ATE Europe B.V.	a	Trade receivables	54,381	Based on regular terms	-
		Quantel Private Ltd.	a	Trade receivables	39,453	Based on regular terms	-
		Testar Electronics Co.	a	Trade receivables	14,830	Note 3	-
		Chroma Systems Solutions, Inc.	a	Other receivables - financing provided	102,429	Based on regular terms	-
		Chroma Japan Corp.	a	Other receivables - financing provided	59,018	Based on regular terms	-
		Mas Automatiom Corp.	a	Dividends receivable	305,000	Based on regular terms	1
		Adivic Technology Co.	a	Trade payables	12,250	Based on regular terms	-
1	Mas Automatiom Corp.	Chroma Japan Corp.	b	Operating revenue	74,381	Based on regular terms	1
		Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	b	Operating revenue	21,098	Based on regular terms	-
		Chroma Japan Corp.	b	Trade receivables	72,195	Based on regular terms	-
2	Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co., Ltd.	a	Operating revenue	464,339	Based on regular terms	5
		Chroma ATE (Suzhou) Co., Ltd.	b	Operating revenue	139,252	Based on regular terms	2
		Chroma Electronics (Shanghai) Co., Ltd.	a	Operating revenue	20,336	Based on regular terms	-

(Continued)

No.	Company Name	Counterparty	Flow of Transactions (Note 1)	Transaction Details			Percentage to Consolidated Total Operating Revenue or Total Assets
				Account	Amount	Transaction Terms	
2	Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co., Ltd.	a	Commission expense	\$ 31,315	Based on regular terms	-
		Chroma Electronics (Shanghai) Co., Ltd.	a	Commission expense	15,712	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Commission expense	11,244	Based on regular terms	-
		Chroma Electronics (Shenzhen) Co., Ltd.	a	Trade receivables	179,201	Based on regular terms	1
		Chroma ATE (Suzhou) Co., Ltd.	b	Trade receivables	168,807	Based on regular terms	1
3	Chroma Electronics (Shenzhen) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	b	Operating revenue	17,874	Based on regular terms	-
		Sajet System Technology (Suzhou) Co., Ltd.	b	Purchase	10,240	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Trade receivables	30,250	Based on regular terms	-
		Sajet System Technology (Suzhou) Co., Ltd.	b	Trade payables	11,443	Based on regular terms	-
4	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Mas Automatiom Corp.	b	Operating revenue	39,935	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Operating revenue	33,470	Based on regular terms	-
		Mas Automatiom Corp.	b	Trade receivables	38,069	Based on regular terms	-
		Chroma ATE (Suzhou) Co., Ltd.	b	Trade receivables	21,743	Based on regular terms	-
		Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	b	Trade receivables	13,721	Based on regular terms	-
5	Chroma ATE Europe B.V.	Chroma Germany GmbH	a	Operating revenue	68,608	Based on regular terms	1
		Chroma Germany GmbH	a	Trade receivables	49,730	Based on regular terms	-
		Chroma Germany GmbH	a	Other receivables	24,819	Based on regular terms	-
6	Quantel Private Ltd.	Quantel Global Sdn. Bhd.	a	Operating revenue	17,062	Based on regular terms	-
		Quantel Global Vietnam Co., Ltd.	a	Operating revenue	14,677	Based on regular terms	-
		Quantel Global Sdn. Bhd.	a	Trade receivables	10,503	Based on regular terms	-

Note 1: a. From parent to subsidiary.
b. Between subsidiaries.

Note 2: The prices were determined after taking the selling and post-sale service expenses into consideration.

Note 3: The collection periods of about 12 months were longer than those for third parties.

(Concluded)

CHROMA ATE INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Amount			
The Corporation	Newworld Electronics Limited	Hong Kong	Sale and maintenance of electronic test instruments, etc.	\$ 271,873	\$ 271,873	64,012,815	100.0	\$ 1,542,722	\$ 114,398	\$ 114,400	Subsidiary
	Chroma New Material Corporation	Taoyuan, Taiwan	Sale and processing of gold wire	480,715	480,715	25,000,000	100.0	427,816	19,575	19,577	Subsidiary
	Mas Automatiom Corp.	Hsinchu, Taiwan	Design, manufacturing, installment and testing of automated factory conveyor systems	533,000	533,000	10,000,000	100.0	51,258	(218,734)	(218,601)	Subsidiary
	Chroma ATE Inc.	USA	Sale and maintenance of electronic test instruments, etc.	29,895	29,895	1,000,000	100.0	162,667	43,240	43,195	Subsidiary
	Chroma Systems Solutions, Inc.	USA	Sale and maintenance of electronic test instruments, etc.	29,628	29,628	120,000	25.0	(2,302)	100,553	25,138	Subsidiary
	Chroma ATE Europe B.V.	The Netherlands	Sale and maintenance of electronic test instruments etc.	54,026	54,026	1,000	100.0	148,682	4,769	4,779	Subsidiary
	Chroma Japan Corp.	Japan	Sale and maintenance of electronic test instruments, etc.	201,750	201,750	9,975	100.0	(116,833)	(3,168)	(3,165)	Subsidiary
	CHI Incorporation Ltd.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	122,884	122,884	3,830,000	100.0	237,307	19,666	19,666	Subsidiary
	Chen Hwa Technology Inc.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	98,217	98,217	3,085,000	100.0	119,082	(397)	(397)	Subsidiary
	San Eagle Development Corp.	British Virgin Islands	Investment	186,514	186,514	2,050,000	100.0	857,473	26,774	27,443	Subsidiary
	Sensational Holding Ltd.	British Virgin Islands	Investment	38,301	38,301	1,200,000	100.0	49,562	(99)	(98)	Subsidiary
	Deep Red Holding Co., Ltd.	Mauritius	Investment	12,217	12,217	215,000	100.0	140,819	1,117	1,117	Subsidiary
	Testar Electronics Corporation	Taoyuan, Taiwan	Testing of LED	247,096	247,096	20,159,600	67.2	61,695	44,564	29,933	Subsidiary
	Adivic Technology Co.	Taoyuan, Taiwan	Sale and research of RF device	273,800	273,800	12,590,000	74.1	70,348	(1,202)	(3,208)	Subsidiary
	Chroma Investment Co., Ltd.	Taoyuan, Taiwan	Investment	80,000	80,000	14,000,000	100.0	247,219	25,433	17,309	Subsidiary
	Quantel Private Ltd.	Singapore	Sale and maintenance of test instruments, etc.	112,328	112,328	1,914,000	60.0	178,094	19,443	11,386	Subsidiary
	EVT Technology Co., Ltd.	Taoyuan, Taiwan	Manufacturing of motorcycles and its parts	117,311	117,311	9,412,412	85.6	36,085	(5,242)	(4,473)	Subsidiary
	Innovative Nanotech Incorporated	Hsinchu, Taiwan	Monitoring instruments of nanoparticles	142,140	142,140	14,214,000	67.2	147,659	3,595	2,432	Subsidiary
	Touch Cloud Incorporation	Taipei, Taiwan	Development of cloud platform and Internet of Things systems	110,457	57,000	11,045,667	83.1	64,213	(9,157)	(7,234)	Subsidiary
	Adlink Technology Inc.	New Taipei, Taiwan	Manufacturing, processing and retailing of software/hardware of computers and peripherals	165,079	165,079	24,492,253	11.3	301,947	65,462	7,213	Associate
	DynaScan Technology Corp.	Taoyuan, Taiwan	Research and manufacture of LED generators	238,746	238,746	9,841,112	27.3	150,811	34,329	9,372	Associate
	Camtek Ltd.	Israel	Automatic optical inspection equipment	2,342,340	2,342,340	7,817,440	18.1	2,522,482	706,530	111,662	Associate
	Chih Ho Shun Development Co., Ltd.	Taoyuan, Taiwan	Construction and development of residence, buildings and specialized field; construction and investment of public works	17,500	17,500	1,750,000	35.0	16,523	(1,051)	(368)	Joint venture
Chroma ATE Inc.	Chroma Systems Solutions, Inc.	USA	Sale and maintenance of electronic test instruments, etc.	64	64	240,000	50.0	261,647	100,553	NA	Subsidiary
Chroma ATE Europe B.V.	Chroma Germany GmbH	Germany	Sale and maintenance of electronic test instruments, etc.	1,073	1,073	30,000	100.0	1,221	1,102	NA	Subsidiary
San Eagle Development Corp.	Wei Kuang Mech. Eng. Inc.	Mauritius	Investments	185,686	185,686	4,475,000	100.0	918,512	26,772	NA	Subsidiary
Adivic Technology Co., Ltd.	Adivic Holding Corporation	Samoa	Sale and research of RF device	42,245	42,245	1,000,000	100.0	9,065	(30)	NA	Subsidiary
Quantel Private Ltd.	Quantel Technologies India Private Ltd.	India	Sale and maintenance of test instruments, etc.	3,056	3,056	64,999	100.0	6,211	1,615	NA	Subsidiary
	Quantel Global Vietnam Co., Ltd.	Vietnam	Sale and maintenance of test instruments, etc.	6,219	6,219	-	100.0	7,871	(563)	NA	Subsidiary
	Quantel Global Sdn. Bhd.	Malaysia	Sale and maintenance of test instruments, etc.	4,199	4,199	600,000	100.0	12,866	3,670	NA	Subsidiary
	Quantel Global Philippines Corporation	Philippines	Sale and maintenance of test instruments, etc.	610	610	99,095	100.0	7,484	3,224	NA	Subsidiary
	Quantel Global Company Limited	Thailand	Sale and maintenance of test instruments, etc.	675	-	29,997	99.9	96	(582)	NA	Subsidiary
Chroma Investment Co., Ltd.	Testar Electronics Corporation	Taoyuan, Taiwan	Testing of LED	11,250	11,250	4,500,000	15.0	18,352	44,564	NA	Subsidiary

Note: For amounts that were translated from foreign currencies, the amount of the original investment was translated into New Taiwan dollars at the historical exchange rate, while the amount of net income (loss) of the investee and investment gain (loss) were translated into New Taiwan dollars at the average exchange rate for the six months ended June 30, 2021. Other amounts were translated into New Taiwan dollars at the spot exchange rate on June 30, 2021.

CHROMA ATE INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021

(In Thousands of New Taiwan Dollars or Foreign Currencies, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2021 (Note 3)	Net (Loss) Income of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Notes 4 and 5)	Carrying Amount as of June 30, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of June 30, 2021
					Outward	Inward						
Chroma Electronics (Shenzhen) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	\$ 107,610 (HK\$ 30,000)	b. Subsidiary of Newworld Electronics Limited	\$ 132,178 (HK\$ 1,200 US\$ 3,853)	\$ -	\$ -	\$ 132,178 (HK\$ 1,200 US\$ 3,853)	\$ 56,748	100	\$ 56,748	\$ 1,017,739	\$ -
Chroma Electronics (Shanghai) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	83,580 (US\$ 3,000)	b. Subsidiary of Newworld Electronics Limited	101,993 (US\$ 3,000)	-	-	101,993 (US\$ 3,000)	49,749	100	49,749	271,126	-
Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, commercial simple processing and commercial consulting service and etc.	75,222 (US\$ 2,700)	b. Subsidiary of Chen Hwa Technology Inc.	84,988 (US\$ 2,700)	-	-	84,988 (US\$ 2,700)	(211)	100	(211)	79,371	-
Hangzhou New Material Chroma Co., Ltd.	Production and sale of semiconductor connecting materials	41,790 (US\$ 1,500)	b. Subsidiary of Chen Hwa Technology Inc.	9,091 (US\$ 285)	-	-	9,091 (US\$ 285)	42,501	19	-	22,571	12,065 (US\$ 368)
Chroma ATE (Suzhou) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	105,868 (US\$ 3,800)	b. Subsidiary of CHI Incorporation Ltd.	121,115 (US\$ 3,800)	-	-	121,115 (US\$ 3,800)	19,609	100	19,609	297,491	-
Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	51,152 (RMB 11,871)	b. Subsidiary of Wei Kuang Mech. Eng. Inc.	43,751 (US\$ 1,338)	-	-	43,751 (US\$ 1,338)	27,884	100	27,884	234,964	-
Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	49,196 (RMB 11,417)	b. Subsidiary of Wei Kuang Mech. Eng. Inc.	49,935 (US\$ 1,500)	-	-	49,935 (US\$ 1,500)	(1,686)	100	(1,686)	499,423	-
Mou Kuan Technologies (Nanjing) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	7,485 (RMB 1,737)	b. Subsidiary of Wei Kuang Mech. Eng. Inc.	92,000 (US\$ 2,836)	-	-	92,000 (US\$ 2,836)	326	100	326	48,282	47,504 (US\$ 1,552)
Sajet System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	36,084 (RMB 8,374)	b. Subsidiary of Deep Red Holding Co., Ltd.	(Note 9)	-	-	(Note 9)	2,763	100	2,763	126,377	-

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$635,051 (HK\$1,200, US\$19,312)	\$725,060 (HK\$1,400, US\$22,076) (Note 6)	\$10,280,155 (Note 7)

(Continued)

Note 1: Methods of investment have following type:

- a. Direct investment in mainland China.
- b. Indirect investment in the company of mainland China through a third place.
- c. Others

Note 2: The amounts of paid-in capital and carrying value as of balance sheet date were translated into New Taiwan dollars at the rates of HK\$1=NT\$3.587, US\$1=NT\$27.860, RMB1=NT\$4.309 prevailing on June 30, 2021.

Note 3: The amounts of accumulated outflow of investment from Taiwan as of January 1, 2021 and June 30, 2021 were translated into New Taiwan dollars on the original outflow day.

Note 4: Based on unreviewed financial statements.

Note 5: Investment income (loss) was translated into New Taiwan dollars at the average rate of HK\$1=NT\$3.630, US\$1=NT\$28.172 and RMB1=NT\$4.354 for the six months ended June 30, 2021.

Note 6:

	Approval Letter	Approved Amount	
a.	Letter (1998) II-87710585 of Investment Commission of MOEA	NT\$ 5,852	(HK\$ 1,400)
b.	Letter (2000) II-89014726 and 89037430 of Investment Commission of MOEA	NT\$ 63,180	(US\$ 2,000)
c.	Letter (2001) II-89037430 of Investment Commission of MOEA	NT\$ 33,160	(US\$ 1,000)
d.	Letter II-91048640 of Investment Commission of MOEA	NT\$ 63,984	(US\$ 1,853) (Note 8)
e.	Letter II-90025170 of Investment Commission of MOEA	NT\$ 60,240	(US\$ 1,750)
f.	Letter II-092020235 of Investment Commission of MOEA	NT\$ 19,230	(US\$ 560)
g.	Letter II-092043358 of Investment Commission of MOEA	NT\$ 6,748	(US\$ 200)
h.	Letter II-093004076 of Investment Commission of MOEA	NT\$ 3,158	(US\$ 95)
i.	Letter II-094006092 of Investment Commission of MOEA	NT\$ 6,896	(US\$ 219)
j.	Letter II-09500052120 of Investment Commission of MOEA	NT\$ 81,528	(US\$ 2,500)
k.	Letter II-09600175700 of Investment Commission of MOEA	NT\$ 120,000	(US\$ 3,699)
l.	Letter II-09600006020 of Investment Commission of MOEA	NT\$ 66,580	(US\$ 2,000)
m.	Letter II-09600310110 of Investment Commission of MOEA	NT\$ 33,160	(US\$ 1,000)
n.	Letter II-09700186010 of Investment Commission of MOEA	NT\$ 46,110	(US\$ 1,500)
o.	Letter II-09700403210 of Investment Commission of MOEA	NT\$ 7,096	(US\$ 210) (Note 9)
p.	Letter II-10400042770 of Investment Commission of MOEA	NT\$ 78,240	(US\$ 2,500)
q.	Letter II-10600164500 of Investment Commission of MOEA	NT\$ 29,898	(US\$ 990)

Note 7: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

Note 8: The Corporation invested accounts receivable amounting to US\$853 thousand in Chroma Electronics (Shenzhen) Co., Ltd. through Newworld Electronics Limited

Note 9: The investment in Sajat Technology Inc. (liquidated on September 15, 2008) was authorized by the Investment Commission in 2004.

(Concluded)