

Ticker Number: 2360



**CHROMA ATE INC.**  
**2021 Annual General Shareholders' Meeting**  
**Meeting Agenda**  
**(Translation)**

**Date: 9:00am June 10, 2021**

**Venue: No. 88, Wenmao Rd., Guishan Dist., Taoyuan City, Taiwan**

**CHROMA ATE INC.**

**Meeting Agenda for the 2021 Annual General Shareholders' Meeting**

Table of Contents

1. Meeting Procedure .....	1
2. Meeting Agenda.....	2
3. Report Items.....	3
4. Acknowledgement Items .....	4
5. Special Motions.....	4

Attachments

(1) Business Report .....	5
(2) Audit Committee's Review Report .....	7
(3) Itemized List of Endorsements and Guarantees in 2020.....	8
(4) Independent Auditors' Report and Financial Statements.....	9
(5) Profit Allocation Proposal .....	30

Appendix

(1) Articles of Incorporation.....	31
(2) Rules and Procedures of Shareholders' meeting .....	39
(3) Shareholdings of all directors .....	41

**CHROMA ATE INC.**

**Procedure for the 2021 Annual General Shareholders' Meeting**

1. Call Meeting to order
2. Chairman's statements
3. Report items
4. Acknowledgement items
5. Special motions
6. Meeting adjourned

**CHROMA ATE INC.**  
**2021 Annual General Shareholders' Meeting Agenda**

Time: 9:00am, June 10, 2021

Venue: No. 88, Wenmao Rd., Guishan Dist., Taoyuan City, Taiwan (Chroma Headquarters)

1. Call meeting to order
2. Chairman's statements
3. Report items:
  - (1) Business report of 2020
  - (2) Audit Committee's review report of 2020
  - (3) Profit distribution report of 2020
  - (4) Distribution of employee bonuses and directors' remunerations in 2020
  - (5) Itemized list of endorsements and guarantees in 2020
4. Acknowledgement items:
  - (1) Acknowledge the 2020 Business Report and Financial Statements
  - (2) Acknowledge the 2020 Earnings Distribution Proposal
5. Special motions
6. Meeting adjourned

## Report Items

### 1. Business report of 2020

Explanatory Notes: Please refer to Attachment (1)

### 2. Audit committee's review report of 2020

Explanatory Notes: Please refer to Attachment (2)

### 3. Profit distribution report of 2020

Explanatory Notes:

- (1) The proposal of 2020 earnings distributions is based on the Company Law and the Company's Articles of Incorporation, clause 34-1. It is proposed that the Chroma's Board of Directors will be authorized to adjust the cash dividend to be distributed for each common share.
- (2) The total cash dividend proposed by Board of Directors is NT\$1,897,175,417. Each common shareholder will be entitled to receive a cash dividend of NT\$4.5. The total cash dividends allotted for each shareholder will be rounded off to NT dollar. The fractional shares with a value less than one dollar are accumulated and adjusted to meet the total amount of profit resolved to be distributed.
- (3) The proposal of cash dividend have been approved on February 25, 2021, by the Board of Directors. The board will also agree upon the ex-dividend date, issuance date, and other relevant issues. Upon the approval of the General Assembly, the chairman is authorized to adjust the dividends to be distributed, which could affect the number of shares outstanding and result in a change in the dividend rate, in cases such as exercising of employee stock options.

### 4. Distribution of employee bonuses and directors' remunerations in 2020

Explanatory Notes:

- (1) Board of Directors resolved on February 25, 2021, that the employee bonuses and directors' remunerations from 2020 will be all distributed in cash.
- (2) The employees' bonus from 2020 is NTD 383,845,000 and the directors' remuneration is NTD 9,600,000.

### 5. Itemized list of endorsements and guarantees in 2020

Explanatory Notes: As per of December 31, 2020, please refer to attachment (3) for the details of endorsements and guarantees

## **Acknowledgement Items**

1. Acknowledge the 2020 Business Report and Financial Statements (proposed by the Board of Directors)

Explanatory Notes:

- (1) Chroma 2020 Business Report, Individual Financial Statements, and Consolidated Financial Statements were completed. The Individual Financial Statements and Consolidated Financial Statements were audited by independent auditors, Lee, Cheng-Ming and Kuo, Wen-Chi of Deloitte & Touche. The Business Report has been reviewed by the Company's Audit Committee.
- (2) Please refer to the Attachments (1) and (4).
- (3) Please accept the aforementioned Business Report and Financial Statements.

2. Acknowledge the 2020 Earnings Distribution Proposal (proposed by the Board of Directors)

Explanatory Notes:

- (1) The 2020 Profit Allocation Proposal have been approved by Board of Directors and reviewed by the Company's Audited Committee, attached hereto as Attachment (5).
- (2) Please accept the aforementioned Proposal of 2020 Earnings Distribution.

## **Special Motions**

## **Meeting Adjourned**

ATTACHMENT 1  
**Business Report**

Throughout 2020, the COVID-19 epidemic has spread around the world and heavily impacted the global economy. Various countries attempted to curb the spread by local and national lockdowns or restricting commercial and social activities. Most companies maintained operation through work from home and remote business activities. However, due to Taiwan's proper control of the epidemic, the company has been able to maintain normal operations, and business performance has even continued to grow. The operating revenue of CHROMA ATE INC. in 2020 was NTD 9.18 billion, while the Chroma Group revenue was 15.533 billion. The net income of 2.381 billion equaled to earnings per share of NTD 5.56.

The company's overall product revenue on test equipment grew by 14% over the past year. Especially the semiconductor and photonics test systems contributed greatly, with the continuously growing demand for related semiconductors such as 5G, HPC, and laptops leading to a 31% increase in revenue. At the same time, power electronic test equipment has still been growing steadily by 5%, mainly due to the active policy-driven development of the electric vehicle industry in Europe, the United States, and China in response to environmental protection and energy saving. As a result, high-power test equipment required for electric vehicle-related parts and modules continued to grow. Within the Chroma Group, the operation of MAS Automation was severely affected by the pandemic, and last year's performance declined by 39%. However, the gold and copper wire performance of Chroma New Material was able to grow 22% as the semiconductor industry is booming. The overall group revenue increased by 12%. Other relevant consolidated financial figures are as follows:

Financial Performance for Year 2019 ~ 2020

Items		2020	2019
Capital Structure Analysis (%)	Debt Ratio (%)	41.74	41.87
	Long-term Fund to Fixed Assets Ratio (%)	624.21	557.61
Liquidity Analysis (%)	Current Ratio (%)	160.57	168.74
	Quick Ratio (%)	122.28	129.77
Profitability Analysis (%)	Return on Total Assets (%)	8.85	7.80
	Return on Equity Attributable to Shareholders of the Parent (%)	15.21	12.83
	Net Profit Margin (%)	14.96	13.33

Looking forward to 2021, the epidemic continues to seriously threaten the global economy. In fact, its spread has severely harmed many industries, including aviation and tourism, and has led to a material shortage in high-tech industries and critical chain disruption. In the light of this crisis, the company's strategies to survive safely and continue to generate revenue and profit are:

1. Deploy production capacity and stay ahead of schedule to ensure timely output that meets customer demands.
2. Keep a close eye on European, American, and Japanese market demands after the epidemic has eased.

3. Accelerate the development of relevant test solutions to advance semiconductor manufacturing processes and product testing.

Finally, we would like to express our gratitude to all our shareholders for their unstinted support and encouragement. We wish everyone good health and all the best



ATTACHMENT 2

**Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, Individual Financial Statements, and Consolidated Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte and Touche was retained to audit Chroma's Individual Financial Statements and Consolidated Financial Statements. The Business report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of CHROMA ATE INC. According to Article 14 of Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

CHROMA ATE INC.

Convener of Audit Committee:

Steven Wu

March 4<sup>th</sup>, 2021

## CHROMA ATE INC. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars or Foreign Currency, 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	\$ 2,409,483	\$ 55,200	\$ 55,200	\$ 27,600	\$ -	0.34%	\$4,818,967	Y	-	-
		Chroma ATE Europe B.V.	Subsidiary	2,409,483	52,530	52,530	35,020	-	0.33%	4,818,967	Y	-	-
		Chroma ATE Inc.	Subsidiary	2,409,483	142,400	142,400	142,400	-	0.89%	4,818,967	Y	-	-
		Sajet System Technology (Suzhou) Co., Ltd.	Subsidiary	2,409,483	21,885	21,885	-	-	0.14%	4,818,967	Y	-	Y
		Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary	2,409,483	43,770	43,770	1,542	-	0.27%	4,818,967	Y	-	Y
		Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	2,409,483	87,540	87,540	26,773	-	0.54%	4,818,967	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 within 15% of the net value of the Corporation and 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 the New Taiwan dollars at the exchange rate of US\$1=NT\$28.480, JPY1=NT\$0.276, RMB1=NT\$4.377, EUR1=NT\$35.020 as of December 31, 2020.

**Independent Auditors' Report and Financial Statements**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
CHROMA ATE INC.

**Opinion**

We have audited the accompanying consolidated financial statements of CHROMA ATE INC. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements for the year ended December 31, 2020 are stated as follows:

## Impairment of Trade Receivables

As indicated in Notes 5 and 10, trade receivables are a significant accounts in the consolidated balance sheets of the Group. The process of determining an impairment loss is subject to continuous assessment of uncollectible accounts. Management recognizes a loss allowance for lifetime Expected Credit Loss (ECL) on trade receivables under the regulations of IFRS 9 “Financial Instruments”. The measurement of ECL model involves management’s subjective judgements and assumptions regarding the credit risks which may have a significant impact on the loss allowance recognized from trade receivables; thus, we identified the impairment of trade receivables as a key audit matter.

We assessed the rationale of the Group’s policy on estimating allowance for trade receivables, tested the loss rates of ECL, inspected individual overdue receivables and made relevant inquiries. We also obtained the calculation table, assessed the calculation method, and recalculated the amounts to draw a conclusion on lifetime ECL of trade receivables.

## **Other Matter**

We have also audited the parent company only financial statements of CHROMA ATE INC. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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 IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report

because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Ming Lee and Wen-Chi Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 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 audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

# CHROMATE INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 2,896,645	10	\$ 2,261,531	9
Financial assets at fair value through profit or loss - current (Note 7)	509,015	2	489,745	2
Financial assets at amortized cost - current (Notes 9 and 31)	1,036,691	4	703,368	3
Contract assets - current (Note 23)	1,278,936	4	1,258,046	5
Notes receivable (Note 10)	127,042	-	174,921	1
Trade receivables (Note 10)	4,247,500	15	4,580,488	18
Trade receivables - related parties (Notes 10 and 30)	19,340	-	27,108	-
Inventories (Note 11)	3,028,457	11	2,664,658	10
Prepayments	197,038	1	248,583	1
Other current assets (Note 30)	187,175	1	203,794	1
Total current assets	<u>13,527,839</u>	<u>48</u>	<u>12,612,242</u>	<u>50</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Note 7)	4,646	-	4,762	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	862,898	3	612,367	2
Investments accounted for using the equity method (Note 13)	3,139,227	11	2,911,230	11
Property, plant and equipment (Notes 14 and 31)	3,156,634	11	3,221,431	13
Right-of-use assets (Note 15)	144,921	1	146,462	1
Investment properties (Note 16)	3,137,187	11	3,137,187	12
Goodwill (Note 17)	228,002	1	225,996	1
Other intangible assets (Note 18)	55,578	-	42,605	-
Deferred tax assets (Note 25)	314,987	1	317,569	1
Prepayments for land and equipment (Note 32)	3,463,185	13	2,066,847	8
Refundable deposits	13,693	-	23,413	-
Other non-current assets	80,086	-	114,961	1
Total non-current assets	<u>14,601,044</u>	<u>52</u>	<u>12,824,830</u>	<u>50</u>
<b>TOTAL</b>	<u>\$ 28,128,883</u>	<u>100</u>	<u>\$ 25,437,072</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 31)	\$ 2,554,260	9	\$ 2,352,800	9
Contract liabilities - current (Notes 23 and 30)	765,682	3	706,857	3
Notes payable	35,933	-	38,031	-
Notes payable - related parties (Note 30)	4,570	-	3,054	-
Trade payables	2,637,070	10	2,589,773	10
Trade payables - related parties (Note 30)	11,353	-	3,008	-
Other payables (Note 20)	1,225,623	4	1,340,917	6
Current tax liabilities	348,441	1	323,323	1
Lease liabilities - current (Note 15)	55,247	-	60,059	-
Current portion of long-term borrowings (Notes 19 and 31)	633,456	2	27,763	-
Other current liabilities	153,317	1	28,602	-
Total current liabilities	<u>8,424,952</u>	<u>30</u>	<u>7,474,187</u>	<u>29</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 19 and 31)	2,404,616	9	2,422,051	10
Lease liabilities - non-current (Note 15)	92,345	-	88,138	-
Deferred tax liabilities (Note 25)	621,111	2	484,147	2
Net defined benefit liabilities (Note 21)	156,280	1	163,089	1
Guarantee deposits received	40,886	-	20,000	-
Total non-current liabilities	<u>3,315,238</u>	<u>12</u>	<u>3,177,425</u>	<u>13</u>
Total liabilities	<u>11,740,190</u>	<u>42</u>	<u>10,651,612</u>	<u>42</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 22)</b>				
Ordinary share capital	4,212,945	15	4,192,961	17
Advance receipts for share capital	-	-	13,724	-
Capital surplus	4,036,875	14	3,629,471	14
Retained earnings				
Legal reserve	2,592,487	9	2,407,039	10
Special reserve	176,128	1	86,888	-
Unappropriated earnings	5,160,575	18	4,382,043	17
Total retained earnings	7,929,190	28	6,875,970	27
Other equity	(82,101)	-	(187,651)	(1)
Treasury shares	(33,686)	-	(35,714)	-
Total equity attributable to owners of the Corporation	16,063,223	57	14,488,761	57
<b>NON-CONTROLLING INTERESTS</b>	325,470	1	296,699	1
Total equity	<u>16,388,693</u>	<u>58</u>	<u>14,785,460</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 28,128,883</u>	<u>100</u>	<u>\$ 25,437,072</u>	<u>100</u>

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

## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 23 and 30)	\$ 15,532,543	100	\$ 13,909,634	100
OPERATING COSTS (Notes 11, 24 and 30)	<u>7,988,328</u>	<u>51</u>	<u>7,329,023</u>	<u>53</u>
GROSS PROFIT	7,544,215	49	6,580,611	47
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	<u>5</u>	<u>-</u>	<u>79</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>7,544,220</u>	<u>49</u>	<u>6,580,690</u>	<u>47</u>
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing expenses	2,080,171	13	2,140,645	15
General and administrative expenses	1,080,518	7	1,019,799	7
Research and development expenses	1,341,956	9	1,283,422	9
Expected credit impairment losses	<u>244,174</u>	<u>2</u>	<u>77,365</u>	<u>1</u>
Total operating expenses	<u>4,746,819</u>	<u>31</u>	<u>4,521,231</u>	<u>32</u>
PROFIT FROM OPERATIONS	<u>2,797,401</u>	<u>18</u>	<u>2,059,459</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 24)	(58,811)	-	(54,020)	-
Share of profits of associates and joint ventures (Note 13)	135,392	1	97,192	1
Interest income	16,843	-	25,904	-
Dividend income	21,730	-	41,532	-
Other income (Note 30)	194,914	1	238,362	2
Gain on disposal of property, plant and equipment, net	7,066	-	15,468	-
Net foreign exchange loss (Note 34)	(86,618)	(1)	(85,663)	(1)
Gain on disposal of investment	480	-	-	-
Gain on financial assets at fair value through profit or loss, net	8,903	-	3,460	-
Other expenses	<u>(8,293)</u>	<u>-</u>	<u>(3,088)</u>	<u>-</u>
Total non-operating income and expenses	<u>231,606</u>	<u>1</u>	<u>279,147</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	3,029,007	19	2,338,606	17
INCOME TAX EXPENSE (Note 25)	<u>648,050</u>	<u>4</u>	<u>449,130</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,380,957</u>	<u>15</u>	<u>1,889,476</u>	<u>14</u>

(Continued)



## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(5,258)	-	(14,163)	-
Unrealized gain or loss on investments in equity investments designated as at fair value through other comprehensive income	229,747	2	(5,455)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(504)	-	(40)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(9,756)	-	(115,190)	(1)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>(136,092)</u>	<u>(1)</u>	<u>(114,957)</u>	<u>(1)</u>
Total other comprehensive income (loss)	<u>78,137</u>	<u>1</u>	<u>(249,805)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,459,094</u>	<u>16</u>	<u>\$ 1,639,671</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,323,776	15	\$ 1,854,481	14
Non-controlling interests	<u>57,181</u>	<u>-</u>	<u>34,995</u>	<u>-</u>
	<u>\$ 2,380,957</u>	<u>15</u>	<u>\$ 1,889,476</u>	<u>14</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,412,798	16	\$ 1,608,601	12
Non-controlling interests	<u>46,296</u>	<u>-</u>	<u>31,070</u>	<u>-</u>
	<u>\$ 2,459,094</u>	<u>16</u>	<u>\$ 1,639,671</u>	<u>12</u>

(Continued)

## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (NT\$; Note 26)				
Basic	<u>\$ 5.56</u>		<u>\$ 4.48</u>	
Diluted	<u>\$ 5.51</u>		<u>\$ 4.42</u>	

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

CHROMA ATE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	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 (Loss) 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, 2019	\$ 4,167,794	\$ -	\$ 3,469,637	\$ 2,152,411	\$ 86,888	\$ 4,555,760	\$ 6,795,059	\$ (104,872)	\$ 160,493	\$ (42,377)	\$ 13,244	\$ (35,714)	\$ 14,410,020	\$ 280,329	\$ 14,690,349
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	254,628	-	(254,628)	-	-	-	-	-	-	-	-	-
Cash dividends - NT\$4.2 per share	-	-	-	-	-	(1,750,896)	(1,750,896)	-	-	-	-	-	(1,750,896)	-	(1,750,896)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	10,250	-	-	-	-	-	-	-	-	-	10,250	-	10,250
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,854,481	1,854,481	-	-	-	-	-	1,854,481	34,995	1,889,476
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(14,132)	(14,132)	(226,201)	(5,547)	-	(231,748)	-	(245,880)	(3,925)	(249,805)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,840,349	1,840,349	(226,201)	(5,547)	-	(231,748)	-	1,608,601	31,070	1,639,671
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,009)	(1,009)	-	(1,009)
Cancellation of treasury shares	(1,009)	-	-	-	-	-	-	-	-	-	-	1,009	-	-	-
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	8,003	-	-	-	-	-	-	-	-	-	8,003	-	8,003
Exercise of employee share options	26,176	13,724	119,085	-	-	-	-	-	-	-	-	-	158,985	-	158,985
Share-based payment transaction	-	-	22,496	-	-	-	-	-	-	30,853	30,853	-	53,349	-	53,349
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,992)	(11,992)
Decrease in non-controlling interests	-	-	-	-	-	(8,542)	(8,542)	-	-	-	-	-	(8,542)	(2,708)	(11,250)
BALANCE AT DECEMBER 31, 2019	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 the 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 and joint ventures accounted for using the equity method	-	-	273,530	-	-	-	-	-	-	-	-	-	273,530	-	273,530
Net profit for the year ended December 31, 2020	-	-	-	-	-	2,323,776	2,323,776	-	-	-	-	-	2,323,776	57,181	2,380,957
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(5,556)	(5,556)	(134,969)	229,547	-	94,578	-	89,022	(10,885)	78,137
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	2,318,220	2,318,220	(134,969)	229,547	-	94,578	-	2,412,798	46,296	2,459,094
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,235)	(1,235)	-	(1,235)
Cancellation of treasury shares	(1,235)	-	-	-	-	-	-	-	-	-	-	1,235	-	-	-
Stocks of the parent company disposed of by the subsidiary and recognized as treasury shares transaction	-	-	16,629	-	-	-	-	-	-	-	-	2,028	18,657	-	18,657
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	5,760	-	-	-	-	-	-	-	-	-	5,760	-	5,760
Disposal of investments accounted for using equity method	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)	-	(22)
Share-based payment transaction	-	-	6,439	-	-	-	-	-	-	10,972	10,972	-	17,411	-	17,411
Exercise of employee share options	21,219	(13,724)	105,068	-	-	-	-	-	-	-	-	-	112,563	-	112,563
Share-based payment transaction by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	20	20
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,545)	(17,545)
BALANCE AT DECEMBER 31, 2020	\$ 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

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

## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,029,007	\$ 2,338,606
Adjustments for:		
Depreciation expenses	428,009	440,062
Amortization expenses	11,225	6,140
Expected credit loss recognized on trade receivables	244,174	77,365
Net gain on financial liabilities at fair value through profit or loss	(8,903)	(3,460)
Finance costs	58,811	54,020
Interest income	(16,843)	(25,904)
Dividend income	(21,730)	(41,532)
Compensation costs of share-based payment	16,968	53,004
Share of profit of associates and joint ventures accounted for using the equity method	(135,392)	(97,192)
Gain on disposal of property, plant and equipment, net	(7,066)	(15,468)
Gain on disposal of investments accounted for using equity method	(480)	-
Write-downs of inventories	46,444	39,364
Realized gain on transactions with associates and joint ventures	(5)	(79)
Net loss on foreign currency exchange	36,798	11,741
Net changes in operating assets and liabilities		
Contract assets	(20,890)	(412,882)
Notes receivable	47,879	(78,758)
Trade receivables	74,720	(30,629)
Inventories	(472,222)	(370,531)
Prepayments	32,237	(72,782)
Other current assets	47,114	74,210
Contract liabilities	(249,175)	(181,476)
Notes payable	(582)	(106,244)
Trade payables	58,538	325,805
Other payables	(101,750)	(58,348)
Receipts in advance	900	92
Other current liabilities	123,815	(5,340)
Net defined benefit liabilities	(12,067)	(11,128)
Cash generated from operations	3,209,534	1,908,656
Income tax paid	(497,845)	(544,142)
Net cash generated from operating activities	<u>2,711,689</u>	<u>1,364,514</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire financial assets at fair value through other comprehensive income	(39,157)	-
Increase in financial assets at amortized cost	(432,301)	(291,899)
Decrease in financial assets at amortized cost	101,432	-
Payments to acquire financial assets at fair value through profit or loss	(635,910)	(571,116)

(Continued)

## CHROMA ATE INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from disposal of financial assets at fair value through profit or loss	654,738	1,432,820
Acquisition of associate	-	(2,342,340)
Net cash inflow on disposal of investments accounted for using equity method	688	-
Payments for property, plant and equipment	(186,589)	(101,132)
Proceeds from disposal of property, plant and equipment	41,941	50,585
Increase in advance real estate receipts	308,000	-
Decrease in refundable deposits	9,720	443,335
Payments to acquire intangible assets	(4,750)	(2,614)
Increase in other non-current assets	1,579	(20,695)
Decrease (Increase) in prepayments for equipment	(1,447,454)	(1,007,162)
Interest received	16,435	28,874
Dividends received	65,842	114,875
	<u>65,842</u>	<u>114,875</u>
Net cash used in investing activities	<u>(1,545,786)</u>	<u>(2,266,469)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	208,310	1,547,730
Proceeds from long-term borrowings	998,506	1,600,000
Repayments of long-term borrowings	(401,363)	(1,114,008)
Increase in guarantee deposits	20,886	19,034
Repayment of lease principal	(102,712)	(110,398)
Cash dividends paid	(1,288,777)	(1,750,572)
Exercise of employee stock options	112,563	158,985
Payments for buy-back of ordinary shares	(1,235)	(1,009)
Proceeds from reissuance of treasury stock	18,657	-
Interest paid	(64,304)	(53,880)
Increase in non-controlling interests	-	(11,250)
	<u>-</u>	<u>(11,250)</u>
Net cash (used in) generated from financing activities	<u>(499,469)</u>	<u>284,632</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(31,320)</u>	<u>(45,103)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	635,114	(662,426)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>2,261,531</u>	<u>2,923,957</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<u>\$ 2,896,645</u>	<u>\$ 2,261,531</u>

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
CHROMA ATE INC.

### **Opinion**

We have audited the financial statements of CHROMA ATE INC. (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the financial statements for the year ended December 31, 2020 are described as follows:

### Impairment of Trade Receivables

As indicated in Notes 5 and 10, trade receivables are a significant account in the balance sheets of CHROMA ATE INC. The process of determining an impairment loss is subject to continuous assessment of uncollectible accounts. Management recognizes a loss allowance for lifetime Expected Credit Loss (ECL) on trade receivables under the regulations of IFRS 9 “Financial Instruments”. The measurement of ECL model involves management’s subjective judgements and assumptions regarding the credit risks which may have a significant impact on the loss allowance recognized from trade receivables; thus, we identified the impairment of trade receivables as a key audit matter.

We assessed the rationale of the Corporation’s policy on estimating allowance for trade receivables, tested the loss rates of ECL, inspected individual overdue receivables and made relevant inquiries. We also obtained the calculation table, assessed the calculation method, and recalculated the amounts to draw a conclusion on lifetime ECL of trade receivables.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Ming Lee and Wen-Chi Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

Notice to Readers

*The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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' report and financial statements shall prevail.*

# CHROMA ATE INC.

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 6)	\$ 622,210	3	\$ 459,246	2
Financial assets at amortized cost - current (Notes 9 and 30)	279,778	1	-	-
Notes receivable (Notes 10)	71,003	-	4,261	-
Trade receivables (Notes 5 and 10)	967,254	4	1,263,447	6
Trade receivables - related parties (Notes 10 and 29)	1,936,374	8	2,054,611	9
Other receivables - related parties (Note 29)	494,093	2	466,695	2
Inventories (Note 11)	2,331,084	10	2,026,079	9
Prepayments	66,209	-	158,787	1
Other current assets (Note 29)	84,853	-	111,176	1
Total current assets	<u>6,852,858</u>	<u>28</u>	<u>6,544,302</u>	<u>30</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Note 7)	4,646	-	4,762	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	801,358	3	607,835	3
Investments accounted for using equity method (Note 12)	7,439,923	31	6,709,803	31
Property, plant and equipment (Notes 13, 30 and 31)	2,352,493	10	2,406,545	11
Right-of-use assets (Note 14)	53,865	-	45,395	-
Investment properties (Notes 15 and 31)	3,137,187	13	3,137,187	14
Goodwill (Note 16)	94,424	-	94,424	-
Other intangible assets (Note 17)	19,164	-	-	-
Deferred tax assets (Note 24)	181,644	1	185,438	1
Prepayments for land and equipment (Note 31)	3,463,185	14	2,062,861	10
Refundable deposits	5,315	-	4,588	-
Total non-current assets	<u>17,553,204</u>	<u>72</u>	<u>15,258,838</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 24,406,062</u>	<u>100</u>	<u>\$ 21,803,140</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$ 1,800,000	8	\$ 1,600,000	7
Contract liabilities - current (Notes 22 and 29)	559,721	2	427,357	2
Trade payables	989,994	4	1,057,126	5
Trade payables - related parties (Note 29)	31,891	-	196,063	1
Other payables (Note 19)	985,529	4	840,915	4
Current tax liabilities (Note 24)	254,716	1	177,330	1
Lease liabilities - current (Note 14)	20,465	-	14,731	-
Current portion of long-term borrowings (Note 18)	620,000	3	15,000	-
Other current liabilities	24,141	-	18,580	-
Total current liabilities	<u>5,286,457</u>	<u>22</u>	<u>4,347,102</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 18)	2,230,000	9	2,285,000	11
Deferred tax liabilities (Note 24)	599,222	2	475,632	2
Lease liabilities - non-current (Note 14)	33,824	-	30,892	-
Net defined benefit liabilities (Note 20)	152,449	1	155,753	1
Guarantee deposits received	40,887	-	20,000	-
Total non-current liabilities	<u>3,056,382</u>	<u>12</u>	<u>2,967,277</u>	<u>14</u>
Total liabilities	<u>8,342,839</u>	<u>34</u>	<u>7,314,379</u>	<u>34</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)</b>				
Ordinary share capital	4,212,945	17	4,192,961	19
Advance receipts for share capital	-	-	13,724	-
Capital surplus	4,036,875	17	3,629,471	17
Retained earnings				
Legal reserve	2,592,487	10	2,407,039	11
Special reserve	176,128	1	86,888	-
Unappropriated earnings	5,160,575	21	4,382,043	20
Total retained earnings	<u>7,929,190</u>	<u>32</u>	<u>6,875,970</u>	<u>31</u>
Other equity	(82,101)	-	(187,651)	(1)
Treasury shares	(33,686)	-	(35,714)	-
Total equity	<u>16,063,223</u>	<u>66</u>	<u>14,488,761</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 24,406,062</u>	<u>100</u>	<u>\$ 21,803,140</u>	<u>100</u>

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

## CHROMA ATE INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 29)				
Sales	\$ 9,201,579	100	\$ 8,134,351	100
Less: Sales returns	(19,513)	-	(2,807)	-
Sales allowances	<u>(1,826)</u>	<u>-</u>	<u>(20,511)</u>	<u>-</u>
Net operating revenue	9,180,240	100	8,111,033	100
OPERATING COSTS (Notes 11, 23 and 29)	<u>4,355,315</u>	<u>47</u>	<u>3,970,120</u>	<u>49</u>
GROSS PROFIT	4,824,925	53	4,140,913	51
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>42,023</u>	<u>-</u>	<u>(48,359)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>4,866,948</u>	<u>53</u>	<u>4,092,554</u>	<u>51</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	845,805	9	812,636	10
General and administrative expenses	537,646	6	454,868	6
Research and development expenses	1,216,060	14	1,171,660	14
Expected credit loss (gain)	<u>7,000</u>	<u>-</u>	<u>(37,000)</u>	<u>-</u>
Total operating expenses	<u>2,606,511</u>	<u>29</u>	<u>2,402,164</u>	<u>30</u>
PROFIT FROM OPERATIONS	<u>2,260,437</u>	<u>24</u>	<u>1,690,390</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 23)	(34,842)	-	(35,680)	-
Share of profit of subsidiaries, associates and joint ventures, net (Note 12)	540,822	6	420,917	5
Interest income (Note 29)	5,719	-	9,524	-
Rental income (Note 29)	15,157	-	18,471	-
Dividend income	17,526	-	38,427	1
Other income (Note 29)	64,481	1	53,340	1
(Loss) Gain on disposal of property, plant and equipment, net	(995)	-	1,196	-
Gain on disposal of investment	480	-	-	-
Net foreign exchange loss (Note 33)	(68,727)	(1)	(46,438)	(1)
(Loss) Gain on financial assets at fair value through profit or loss, net	(44)	-	725	-
Other expenses	<u>(5,034)</u>	<u>-</u>	<u>(497)</u>	<u>-</u>

(Continued)

CHROMA ATE INC.

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
Total non-operating income and expenses	<u>534,543</u>	<u>6</u>	<u>459,985</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	2,794,980	30	2,150,375	27
INCOME TAX EXPENSE (Note 24)	<u>471,204</u>	<u>5</u>	<u>295,894</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>2,323,776</u>	<u>25</u>	<u>1,854,481</u>	<u>23</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(7,804)	-	(13,552)	-
Unrealized gain (loss) on investments in equity investments designated as at fair value through other comprehensive income	194,230	2	(6,001)	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	37,565	-	(126)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	1,123	-	(111,244)	(1)
Share of the other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(136,092)</u>	<u>(1)</u>	<u>(114,957)</u>	<u>(2)</u>
Total other comprehensive income (loss)	<u>89,022</u>	<u>1</u>	<u>(245,880)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,412,798</u>	<u>26</u>	<u>\$ 1,608,601</u>	<u>20</u>
<b>EARNINGS PER SHARE (NT\$; Note 25)</b>				
Basic	<u>\$ 5.56</u>		<u>\$ 4.48</u>	
Diluted	<u>\$ 5.51</u>		<u>\$ 4.42</u>	

The accompanying notes are an integral part of the financial statements. (Concluded)

**CHROMA ATE INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Other Equity											Total 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 (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefit	Total		Treasury Shares
				Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2019	\$ 4,167,794	\$ -	\$ 3,469,637	\$ 2,152,411	\$ 86,888	\$ 4,555,760	\$ 6,795,059	\$ (104,872)	\$ 160,493	\$ (42,377)	\$ 13,244	\$ (35,714)	\$ 14,410,020
Appropriation of the 2018 earnings													
Legal reserve	-	-	-	254,628	-	(254,628)	-	-	-	-	-	-	-
Cash dividends - NT\$4.2 per share	-	-	-	-	-	(1,750,896)	(1,750,896)	-	-	-	-	-	(1,750,896)
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	10,250	-	-	-	-	-	-	-	-	-	10,250
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,854,481	1,854,481	-	-	-	-	-	1,854,481
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(14,132)	(14,132)	(226,201)	(5,547)	-	(231,748)	-	(245,880)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,840,349	1,840,349	(226,201)	(5,547)	-	(231,748)	-	1,608,601
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,009)	(1,009)
Cancellation of treasury shares	(1,009)	-	-	-	-	-	-	-	-	-	-	1,009	-
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	8,003	-	-	-	-	-	-	-	-	-	8,003
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(8,542)	(8,542)	-	-	-	-	-	(8,542)
Exercise of employee stock options	26,176	13,724	119,085	-	-	-	-	-	-	-	-	-	158,985
Share-based payment transaction	-	-	22,496	-	-	-	-	-	-	30,853	30,853	-	53,349
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
Appropriation of the 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)
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	273,530	-	-	-	-	-	-	-	-	-	273,530
Net profit for the year ended December 31, 2020	-	-	-	-	-	2,323,776	2,323,776	-	-	-	-	-	2,323,776
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(5,556)	(5,556)	(134,969)	229,547	-	94,578	-	89,022
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	2,318,220	2,318,220	(134,969)	229,547	-	94,578	-	2,412,798
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,235)	(1,235)
Cancellation of treasury shares	(1,235)	-	-	-	-	-	-	-	-	-	-	1,235	-
Stocks of the parent company disposed of by the subsidiary and recognized as treasury shares transaction	-	-	16,629	-	-	-	-	-	-	-	-	2,028	18,657
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	5,760	-	-	-	-	-	-	-	-	-	5,760
Disposal of investments accounted for using equity method	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Exercise of employee stock options	21,219	(13,724)	105,068	-	-	-	-	-	-	-	-	-	112,563
Share-based payment transaction	-	-	6,439	-	-	-	-	-	-	10,972	10,972	-	17,411
BALANCE AT DECEMBER 31, 2020	\$ 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

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

# CHROMA ATE INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,794,980	\$ 2,150,375
Adjustments for:		
Depreciation expenses	217,918	214,414
Amortization expenses	5,033	-
Expected credit loss (gain) recognized on trade receivables	7,000	(37,000)
Net gain on financial assets at fair value through profit or loss	44	(725)
Finance costs	34,842	35,680
Interest income	(5,719)	(9,524)
Dividend income	(17,526)	(38,427)
Compensation costs of share-based payments	16,948	53,004
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(540,822)	(420,917)
Gain (loss) on disposal of property, plant and equipment	995	(1,196)
Gain on disposal of investments accounted for using equity method	(480)	-
Write-downs of inventories	42,000	35,076
Unrealized (Realized) gain on transactions with subsidiaries and associates	(42,023)	48,359
Net loss on foreign currency exchange	22,713	71,524
Net changes in operating assets and liabilities		
Notes receivable	(66,742)	5,546
Trade receivables	386,680	(774,916)
Inventories	(370,985)	(193,575)
Prepayments	73,237	(111,610)
Other current assets	26,691	(37,857)
Contract liabilities	(175,636)	396,343
Notes payable	-	(105)
Trade payables	(228,408)	270,824
Other payables	139,896	174,281
Other current liabilities	5,561	2,619
Net defined benefit liabilities	(11,108)	(10,192)
Cash generated from operations	2,315,089	1,822,001
Income tax paid	(266,434)	(284,676)
Net cash generated from operating activities	<u>2,048,655</u>	<u>1,537,325</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire financial assets at fair value through other comprehensive income	(17,239)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	17,946	-
Payments to acquire financial assets at amortized cost	(279,778)	-
Payments to acquire financial assets at fair value through profit or loss	(300,000)	(400,000)
Proceeds from disposal of financial assets at fair value through profit or loss	300,072	1,354,226

(Continued)

# CHROMA ATE INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Payments to acquire subsidiaries	(54,626)	(2,342,340)
Proceeds from disposal of investment	688	-
Payments for property, plant and equipment	(82,462)	(72,011)
Proceeds from disposal of property, plant and equipment	20,935	15,503
Increase in advance receipts for real estate	308,000	-
Increase in refundable deposits	(727)	817
Increase in other receivables - related parties	(329,716)	(2,972)
Payments for intangible assets	(4,750)	-
Increase in prepayments for equipment	(1,451,858)	(1,003,176)
Interest received	5,345	9,490
Dividends received	<u>425,190</u>	<u>684,955</u>
Net cash used in investing activities	<u>(1,442,980)</u>	<u>(1,755,508)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	200,000	970,000
Proceeds from long-term borrowings	950,000	1,600,000
Repayments of long-term borrowings	(400,000)	(1,100,000)
Increase in guarantee deposits	20,887	19,308
Repayment of the principal portion of lease liabilities	(22,493)	(16,861)
Dividends paid by cash	(1,265,000)	(1,750,896)
Exercise of employee stock options	112,563	158,985
Payments for buy-back of ordinary shares	(1,235)	(1,009)
Acquisition of subsidiaries	-	(80,000)
Interest paid	<u>(34,898)</u>	<u>(35,644)</u>
Net cash used in financing activities	<u>(440,176)</u>	<u>(236,117)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(2,535)</u>	<u>(2,353)</u>
NET INCREASE (DECREASE) IN CASH	162,964	(456,653)
CASH AT THE BEGINNING OF THE YEAR	<u>459,246</u>	<u>915,899</u>
CASH AT THE END OF THE YEAR	<u>\$ 622,210</u>	<u>\$ 459,246</u>

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

(Concluded)

**CHROMA ATE INC.**  
**Profit Allocation Proposal**  
**For Year ended December 31, 2020**

	Unit: NT\$
Undistributed Earnings of Previous Year	\$ 2,842,354,960
Plus: 2020 Net Income	2,323,776,092
Accrued Pension Costs under Retain Earnings	(5,555,588)
Less: 10% Legal Reserve	(231,822,050)
Special Reserve	<u>89,240,052</u>
2020 Earnings Available for Distribution	5,017,993,466
Distribution Item:	
Cash Dividends to Common Share Holders (NT\$4.5 per Share)	<u>(1,897,175,417)</u>
Unappropriated Retained Earnings	<u><u>3,120,818,049</u></u>

Note:

1. Net Income of 2020 shall be preferred in the profit distribution.

Chairman Leo, Huang  
 CEO Leo, Huang  
 CFO Paul, Ying



**CHROMA ATE INC.**  
**Articles of Incorporation**

**Chapter One: General Provisions**

**Article 1**

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be CHROMA ATE INC.

The Company English name is CHROMA ATE INC.

**Article 2**

The scope of business of the Corporation shall be as follow:

1. CC01110 Computers and peripheral equipment manufacturing.
2. F113050 Wholesale of computers and clerical machinery equipment.
3. F213030 Retail sale of computers and clerical machinery equipment.
4. E605010 Computing equipment installation.
5. CC01080 Electronics components manufacturing.
6. F119010 Wholesale of electronic materials.
7. F219010 Retail sale of electronic materials.
8. JA02010 Electrical appliance and electronic products repair.
9. CC01120 Data storage media manufacturing and duplicating.
10. F118010 Wholesale of computer software.
11. F218010 Retail sale of computer software.
12. I301010 Information software services.
13. CE01010 General instrument manufacturing.
14. F113030 Wholesale of precision instruments.
15. F213040 Retail sale of precision instruments.
16. EZ05010 Apparatus installation.
17. CC01060 Wired communication mechanical equipment manufacturing.
18. CC01070 Wireless communication mechanical equipment manufacturing.
19. CC01101 Controlled telecommunications radio-frequency devices and materials manufacturing.
20. F401021 Controlled telecommunications radio-frequency devices and materials import.
21. F401010 International trade.
22. CB01010 Mechanical equipment manufacturing.
23. CE01030 Optical instruments manufacturing.
24. CF01011 Medical devices manufacturing.
25. F113070 Wholesale of telecommunication instruments.
26. F213060 Retail sale of telecommunication apparatus.
27. H701040 Specific area development.
28. H701060 New towns, new community development.
29. H701010 Housing and building development and rental.
30. H701020 Industrial factory development and rental.
31. H702010 Construction manager.
32. H703090 Real estate business.
33. H703100 Real estate leasing.
34. F108031 Wholesale of medical devices.
35. F208031 Retail sale of medical apparatus.
36. ZZ99999 All businesses that are not prohibited or restricted by law, except those that are subject to special approval.

### **Article 3**

The Corporation shall be able to render guarantee (including endorsement) to a third party for business purposes.

### **Article 4**

When the Corporation invests in other companies as a shareholder, it shall not be subject to the restriction of the Company Law which provides that the total amount of such investment shall not exceed forty percent (40%) of the amount of this Corporation's paid-in capital. Any such investment by this Corporation shall be made in accordance with a resolution adopted by the Board of Directors.

### **Article 5**

The head office of the Company shall be in Taoyuan City, Taiwan. Pursuant to the resolutions adopted by the Board of Directors, the Company may, if necessary, set up branches or factories within and outside the R.O.C.

### **Article 6**

Any public announcement by this Corporation shall be made in accordance with the Company Law.

## **Chapter Two: Capital Stock**

### **Article 7**

The total authorized capital stock of the Corporation is Five Billion New Taiwan Dollars (NT\$5,000,000,000), divided into Five Hundred Million (500,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10). The Board of Directors is authorized to issue the un-issued shares in installments, of which Three Hundred Million New Taiwan Dollars (NT\$300,000,000), divided into Thirty Million (30,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) are reserved for issuance of employee stock options. The Board of Directors is authorized to issue the unissued shares at a premium in installments.

#### **Article 7-1**

Where the exercise price of the employee stock options is set to be lower than the closing price of the Corporation's common shares on the date that the options are issued, the Corporation may need over two-thirds of the votes in the shareholders' meeting attended by over 50% of shares represented by the shareholders present at the meeting.

Where the exercise price of the employee stock options is set to be lower than the average buyback price of common shares, the Corporation may transfer the buy-back common shares to the employees, by over two-thirds of the votes in the shareholders' meeting attended by over 50% of shares presented by the shareholders present at the meeting.

#### **Article 7-2**

The Company may, upon approval, repurchase treasury shares to any employees of the Company and its Subsidiaries.

The Company may, upon approval by a majority of the Directors at a meeting, adopt incentive programmes and may issue restricted shares or options, warrants, or other similar instruments, to employees of the Company and its Subsidiaries.

Where the Company increases its capital in cash by issuing new shares in R.O.C., the Company may reserve a number of new shares to be issued to employees of the Company and its Subsidiaries.

### **Article 8**

All share certificates of this Corporation shall be issued in registered form after being signed by and affixed with the seals of at least three directors.

The representative of any legal person shareholder shall record its name and address in the shareholders' roster. If the representation consist of two or more persons, only one person shall act as the major representative.

The Corporation may issue registered stocks by combining and printing multiple shares in one share certificate, placed under the custody of a custodian.

The Corporation may issue registered stocks without printing shared certificates. Any shares shall be recorded by a centralized securities custodian. The preceding two provisions do not apply.

#### **Article 9**

The shareholder shall provide a signature (or seal) card and submit it to the Corporation for record. Claims for collection of shared dividend, or exercise of shareholders' rights must be verified truthfully with the imprint of the seal shown on the before mentioned card.

#### **Article 10**

For all transfer of stocks and pledge of rights, the shareholder shall fill in the application form signed and sealed by the transferor and transferee, pledgor and pledgee, and apply to the Corporation for alternation of the entries in the shareholders' roster. Inheritance and gift needs supporting documents.

#### **Article 11**

The Corporation shall charge for administrative fees for the reissue of share certificates due to loss and damage of the original share certificates.

#### **Article 12**

Registration of share transfers shall be suspended for sixty (60) days prior to any ordinary meeting of shareholders, thirty (30) days prior to any extraordinary meeting of shareholders, and five (5) days prior to any rate on which dividends, and bonuses or any other benefits are scheduled to be distributed by the Corporation.

#### **Article 13**

All matters regarding the Corporation's shares shall be conducted in accordance with the Company Law and relevant laws and regulations.

### **Chapter Three: Shareholders' Meetings**

#### **Article 14**

Shareholders' meetings may be ordinary meetings or extraordinary meetings. Ordinary meetings shall be convened annually by the Board of Directors within six months after the end of each fiscal year, and extraordinary meetings may be convened when necessary in accordance with applicable laws.

#### **Article 15**

The Chairman of the Board of Directors shall preside at each meeting of shareholders. In the event the Chairman of the Board of Directors is absent, he shall designate one director to act on his behalf. In the absence of such a designation, the directors shall elect a director from among themselves to preside at the meeting.

If the shareholders' meeting is called by any convener external to the Board of Directors, the chairperson shall be assumed by the convener. If there are more than two conveners, the chairperson shall be elected out of the conveners.

**Article 16**

If a shareholder is unable to attend a meeting, he / she may appoint a representative to attend it, and to exercise, on his / her behalf, all specified rights at the meeting, in accordance with Article 177 of the Company Law.

**Article 17**

A shareholder shall be entitled to one vote for each share held by him / her; except those shares for which the voting rights are restricted or excluded as stipulated in Article 179 Item 2 of the Company Law.

**Article 18**

Unless otherwise provided in the Company Law, any resolution at a shareholders' meeting shall be adopted if voted in favor by the majority of votes at a shareholders' meeting at which shareholders of more than one-half of the total issued and outstanding shares are present.

A shareholder who exercises his voting right in the way of electronic transmission shall be deemed to have attended the shareholders' meeting in person.

**Article 19**

The resolution adopted by the shareholders' meeting shall be recorded in writing; the meeting minutes must be signed by or imprinted with the seal of the chairperson and distributed to shareholders within twenty (20) days after the meetings. The minutes of the shareholders' meeting shall record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and results of the meetings. The minutes shall be kept permanently throughout the life of the Corporation.

The attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Corporation for the minimum period of one year.

**Chapter 4: Directors and Audit Committee****Article 20**

The Company shall establish the Board of Directors constituted by five (5) to seven (7) directors. The shareholders' meeting votes shall be casted among candidates on the candidates list through the cumulative ballot system specified in Article 198 of the Company Law. The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.

Conform to the Company Law and Securities and Exchange Act, the Company shall have, among the aforementioned directors, at least three independent directors. The directors (including independent directors) shall be elected from among the nominees listed as director candidates pursuant to the candidates' nomination system. Compliance matters with respect to independent directors shall be subject to the regulations prescribed by the Company Law and the securities authority.

When the posts of one-third or more of the directors have been vacated, a special meeting of shareholders shall be convened to elect directors to fill the vacancies within sixty (60) days. The term of office of the new directors shall be the same as the original director(s)' term(s).

The Company may purchase liability insurance for directors and management in accordance with business requirements.

**Article 21**

The Board of Directors shall be organized by the directors in accordance with the relevant laws. The Chairman of the Board of Directors shall be elected by a majority of the directors present at a meeting

attended by two-thirds of the directors. The Chairman of the Board of Directors shall be the authorized representative of the Corporation. If necessary, Chairman may appoint consultants as resolute by the Board of Directors.

#### **Article 22**

Except for the first meeting of each term of the Board which shall be convened by the director who received a ballot representing the largest number of votes at the election of directors, Board meetings shall be convened by the Chairman, who shall also be the chairman of the meeting. The agenda of the Board of Directors meeting shall be arranged in advance and send to all directors seven (7) days in advance with detailed information of the meeting's date, venue, and agenda.

A Board meeting may be convened at any time, without such prescribed notice, in case of urgent circumstances.

Notifications for the meetings of the Board of Directors may be communicated through written notice, fax, and electronic mail.

#### **Article 23**

Unless provided in the Company Law or the Corporation's Articles of Incorporation, all resolutions of the Board shall be passed by the approval of over 50% of the directors present at the Board meetings with the attendance of over 50% of all the directors.

#### **Article 24**

In case the Chairman of the Board of Directors is on leave or otherwise cannot exercise his powers, he may designate in accordance with Article 208 of the Company Law.

#### **Article 25**

Directors shall attend the Board meeting in person. A director who is unable to attend the Board meeting may designate a representative among the other directors. Each time a director appoints another director to attend a meeting of the Board of Directors in his/her behalf, he/she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the representative referred to in the preceding paragraph of one director only.

#### **Article 26**

The duties of the Board of Directors are as follows:

1. Formulate the business plan.
2. Approve the profit allocation plan.
3. Propose the increase/decrease of capital.
4. Formulate and amend the Articles of Incorporation.
5. Approve important contracts.
6. Approve the appointment, dismissal of, and remuneration payable to the Managerial Officers.
7. Establish or dissolve branch office.
8. Approve proposed budget and closing accounting.
9. Approve the merchandise of real estate or investment of other companies.
10. Other matters required by the laws and regulations and authorized by the shareholders' meeting.

#### **Article 27**

The established Audit Committee will be constituted by all the independent directors and replace the duty of supervisors.

**Article 28**

Responsibilities of the Audit Committee or the members of Audit Committee shall be those specified under the Company Law, Securities and Exchange Law, and other relevant laws and regulations.

**Article 29**

The remuneration of the directors shall be determined by the Board of Directors in consideration of the directors' participation in and devotion to the operation of the Corporation as well as reference to industry standards, regardless of the Corporation's profits or losses. If the Corporation has earnings, the remuneration will be distributed in accordance with Article 34 of the Corporation's Articles of Incorporation.

**Chapter 5: Managerial Officers****Article 30**

The Corporation has one President and several Vice Presidents. The President shall be nominated by the Chairman; and his appointment shall be approved by more than 50% of the directors. The Vice Presidents shall be nominated by the President; and their appointment shall be approved by Chairman of the directors and report to Board of Directors.

**Article 31**

The President shall be authorized by the Board of Directors to execute the Corporation business in accordance with the Articles of Incorporation and excluded from managerial office defined in the Article 26 Item 6.

**Chapter 6: Accounting****Article 32**

The fiscal year of the Corporation shall begin on 1 January and end on 31 December of each year. Upon closing of each fiscal year, the Board of Directors shall prepare the following statements and reports and shall submit these to the Audit Committee for inspection no later than thirty (30) days prior to the meeting date of the general shareholders' meeting:

1. Business report.
2. Financial statements.
3. Proposal for distributing earnings or covering losses.

**Article 33**

The allocation of net profits will be distributed after taking into consideration of the Corporation's business environment and growth phase as well as the profitability, capital expenditures, and capital needs for future development plans. Such distribution may be made in ways and amount of payout. When the Corporation is currently in a growth phase, in concerning the cash needs for future development, the annual distributable cash earnings shall be no less than 20% of the total distributed cash and dividends.

**Article 34**

If the Company has surplus of that fiscal year, it shall allocated the profit to (1) 5-20% to employee bonuses, either in shares or cash as decided by the Board of Directors, persons eligible for such distribution shall include employees of the Company's subsidiaries who meet certain qualifications; (2) no more than 1.5% as the remuneration for directors. Employee bonuses and remuneration for directors should be presented in the shareholders' meeting.

The Company shall make up losses for preceding years before above mentioned payments are made.

#### **Article 34-1**

The Corporation shall allocate the earnings for each fiscal year in the order of paying tax, making up losses for preceding years, and a legal reserve at 10% of the earnings unless the accumulated amount of the legal reserve has reached the total authorized capital of the Corporation. The Corporation may also set aside earnings, for operation or reverse a special reserve according to relevant regulations when necessary. Any surplus balance after the above mentioned payments are made, together with the undistributed earnings as of the beginning of that fiscal year, shall be allocated pursuant to resolution by the shareholders' meeting. When the Corporation has no surplus, no dividends and bonuses will be distributed.

If the Corporation's earnings distribution made by the way of cash dividend, the Board of Directors shall be authorized through special resolution to distribute and report to the shareholders meeting. Where the Corporation incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting as required in the preceding Article, distribute its legal reserve and the following capital reserve, in whole or in part. The legal reserve can be distributed by issuing new shares or by cash and shall be limited to the part of the reserve exceeding, 25% of the paid-in capital. If above mentioned article are made to distribute the Corporation's legal reserve and the following capital reserve, in whole or in part of cash payment, the Board of Directors are authorized through special resolution to distribute and report to the shareholders' meeting.

### **Chapter 7: Supplementary Articles**

#### **Article 35**

Any matters not provided for in these Articles of Incorporation shall be governed by the Company Law.

#### **Article 36**

The Articles of Incorporation were made on 23 October, 1984.

The first amendment was made on 15 November, 1986.

The second amendment was made on 16 May, 1987.

The third amendment was made on 3 October, 1988.

The fourth amendment was made on 20 September, 1989.

The fifth amendment was made on 14 May, 1990.

The sixth amendment was made on 8 November, 1990.

The seventh amendment was made on 30 April, 1991.

The eighth amendment was made on 20 June, 1991.

The ninth amendment was made on 28 December, 1991.

The tenth amendment was made on 25 June, 1993.

The eleventh amendment was made on 10 September, 1993.

The twelfth amendment was made on 7 April, 1994.

The thirteenth amendment was made on 21 July, 1995.

The fourteenth amendment was made on 25 March, 1996.

The fifteenth amendment was made on 11 October, 1996

The sixteenth amendment was made on 24 May, 1997.

The seventeenth amendment was made on 28 April, 1998.

The eighteenth amendment was made on 13 May, 1999.

The nineteenth amendment was made on 10 May, 2000.

The twentieth amendment was made on 30 May, 2001.

The twentieth-first amendment was made on 21 May, 2002.  
The twentieth-second amendment was made on 15 May, 2003.  
The twentieth-third amendment was made on 18 May, 2005.  
The twentieth-four amendment was made on 16 May, 2006.  
The twentieth-five amendment was made on 30 May, 2007.  
The twentieth-six amendment was made on 13 June, 2008.  
The twentieth-seven amendment was made on 22 May, 2009.  
The twentieth-eight amendment was made on 9 June, 2011.  
The twentieth-nine amendment was made on 6 June 2012.  
The thirtieth amendment is made on 10 June, 2015.  
The 31<sup>st</sup> amendment is made on 7 June, 2016.  
The 32<sup>nd</sup> amendment is made on 8 June, 2017.  
The 33<sup>rd</sup> amendment is made on 8 June, 2018.  
The 34<sup>th</sup> amendment is made on 18 June, 2019.



**CHROMA ATE INC.**  
**Rules of Procedure for Shareholders' Meeting**

1. The Shareholders' Meeting of the Corporation (the "Meeting") shall be conducted in accordance with these Rules and Procedures.
2. The term "shareholders" as set forth herein denotes the shareholders themselves and the proxies authorized by shareholders.
3. Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00am or later than 3:00pm.
5. The Chairman of the Board of Directors shall be the chairman presiding at the meeting in the case that the meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the meeting the Vice Chairman of the Board of Directors or an appointed Directors shall preside at the Meeting. Where no such designee is designated, the Directors shall be elected out of the directors.  
If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting. If there are more than two conveners, the Chairman shall be elected from the conveners.
6. The company may appoint designated counsel, CPA, or other related persons to attend the meeting. Persons handling affairs of the Meeting shall wear identification cards or badges.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.
8. Chairman shall call the meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one-third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law.  
If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.
9. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.  
The above provision set forth in the preceding paragraph shall apply to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting. Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.  
In the case that the chairman adjourns the Meeting in violation of these Rules and Procedures, the

shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned.

10. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with a summary of the speech, the shareholder's number (or the number of Attendance Card), and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of the actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of other shareholders, otherwise the chairman shall stop such interruption.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself / herself or appoint an appropriate person to respond.

11. The chairman may announce to end the discussion of any resolution and go into voting if the chairman deems it appropriate.

The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be (a) shareholder(s). The result of voting shall be announced at the Meeting and placed on record.

The chairman may announce a break as appropriate during the proceedings of a shareholders' meeting.

Except otherwise specified in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.

If there are amendments to or substitutes for a single discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.

12. The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards, shall wear badges marked "Disciplinary Officers" for identification purpose.

13. Any matters insufficiently provided for herein shall be subject to the Company Law, Articles of Incorporation, and other laws and regulations concerned.

14. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

## Shareholding of Directors

Book Closure Date: April 12<sup>th</sup>, 2021

Title	Name	Date Elected	Shareholding when Elected		Current Shareholding	
			Shares	%	Shares	%
Chairman	Leo, Huang	2020.06.10	20,763,897	4.94%	20,859,897	4.95%
Director	Ishih, Tseng	2020.06.10	424,548	0.10%	360,548	0.09%
Director	Tsun-I, Wang	2020.06.10	19,339	0	19,000	0
Director	Chung-Ju Chang	2020.06.10	0	0	0	0
Independent Director	Tai-Jen George, Chen	2020.06.10	0	0	0	0
Independent Director	Jia-Ruey Duann	2020.06.10	0	0	0	0
Independent Director	Steven Wu	2020.06.10	0	0	0	0

## Note:

1. Total issued shares: 421,631,537 shares on April 12, 2021.
2. As required under the article 2 of Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the Company has elected more than 2 independent directors, the share ownership figures calculated at the rates are set forth in the preceding paragraph for all directors other than the independent directors and shall be decreased by 80 percent.
3. The minimum required combined shareholding of all directors by law: 16,000,000 shares. The minimum required combined shareholding of all supervisors by law: N/A (replaced by established Audit Committee).
4. The combined shareholding of all directors on the book closure date is 21,239,445 shares which has meet the minimum required combined shareholding.