

Chroma ATE Inc.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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.

Key audit matter of the financial statements for the year ended December 31, 2021 is described as follows:

Revenue Recognition

The main source of revenue of the Corporation comes from the sales of test instruments. Since the main condition of contract with customers is under FOB shipping point, the determination of the point of shipment is important in assessing whether the obligations of delivery are satisfied and recognized as sales revenue; thus, we identified the revenue recognition of contract with customers as a key audit matter.

Our audit procedures included evaluating the appropriateness of accounting policies for the recognition of sales revenue, testing the effectiveness of internal controls related to the timing of revenue recognition in the sales cycle, selecting samples to perform test of details on transactions, identifying material terms and conditions in the contracts or orders, and checking the original documents such as the shipping documents and invoices to confirm the correctness of the identified performance obligations at the time of sales recognition.

We also considered the appropriateness of the disclosure of revenue, refer to Note 4 and Note 21.

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, 2021 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 audits resulting in this independent auditors' report are Wen-Chin Lin and Chien-Liang Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 994,158	4	\$ 622,210	3
Financial assets at amortized cost - current (Notes 9 and 29)	279,778	1	279,778	1
Notes receivable (Note 10)	5,147	-	71,003	-
Trade receivables (Notes 5 and 10)	982,111	4	967,254	4
Trade receivables - related parties (Notes 10 and 28)	1,666,038	6	1,936,374	8
Other receivables - related parties (Note 28)	420,055	2	494,093	2
Inventories (Note 11)	2,988,756	12	2,331,084	10
Prepayments	82,156	-	66,209	-
Other current assets (Note 28)	<u>52,990</u>	<u>-</u>	<u>84,853</u>	<u>-</u>
Total current assets	<u>7,471,189</u>	<u>29</u>	<u>6,852,858</u>	<u>28</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	4,793	-	4,646	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,066,019	4	801,358	3
Investments accounted for using equity method (Note 12)	7,678,993	30	7,439,923	31
Property, plant and equipment (Notes 13, 28 and 29)	5,325,381	21	2,352,493	10
Right-of-use assets (Note 14)	149,239	1	53,865	-
Investment properties (Note 15)	3,137,187	12	3,137,187	13
Goodwill (Note 16)	94,424	1	94,424	-
Other intangible assets	54,827	-	19,164	-
Deferred tax assets (Note 23)	202,240	1	181,644	1
Prepayments for land and equipment (Note 30)	118,866	1	3,463,185	14
Refundable deposits	10,378	-	5,315	-
Non-current prepayments for investments	<u>55,024</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>17,897,371</u>	<u>71</u>	<u>17,553,204</u>	<u>72</u>
TOTAL	<u>\$ 25,368,560</u>	<u>100</u>	<u>\$ 24,406,062</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 1,200,000	5	\$ 1,800,000	8
Contract liabilities - current (Notes 21 and 28)	51,033	-	559,721	2
Trade payables	1,501,200	6	989,994	4
Trade payables - related parties (Note 28)	33,599	-	31,891	-
Other payables (Note 18)	1,109,817	5	985,529	4
Current tax liabilities (Note 23)	344,351	1	254,716	1
Lease liabilities - current (Note 14)	46,133	-	20,465	-
Current portion of long-term borrowings (Note 17)	200,000	1	620,000	3
Other current liabilities	<u>24,915</u>	<u>-</u>	<u>24,141</u>	<u>-</u>
Total current liabilities	<u>4,511,048</u>	<u>18</u>	<u>5,286,457</u>	<u>22</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	1,250,000	5	2,230,000	9
Deferred tax liabilities (Note 23)	737,596	3	599,222	2
Lease liabilities - non-current (Note 14)	139,600	-	33,824	-
Net defined benefit liabilities (Note 19)	173,158	1	152,449	1
Guarantee deposits received	<u>43,247</u>	<u>-</u>	<u>40,887</u>	<u>-</u>
Total non-current liabilities	<u>2,343,601</u>	<u>9</u>	<u>3,056,382</u>	<u>12</u>
Total liabilities	<u>6,854,649</u>	<u>27</u>	<u>8,342,839</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)				
Ordinary share capital	<u>4,218,745</u>	<u>17</u>	<u>4,212,945</u>	<u>17</u>
Capital surplus	<u>4,087,223</u>	<u>16</u>	<u>4,036,875</u>	<u>17</u>
Retained earnings				
Legal reserve	2,824,310	11	2,592,487	10
Special reserve	86,888	-	176,128	1
Unappropriated earnings	<u>7,255,798</u>	<u>29</u>	<u>5,160,575</u>	<u>21</u>
Total retained earnings	<u>10,166,996</u>	<u>40</u>	<u>7,929,190</u>	<u>32</u>
Other equity	<u>74,633</u>	<u>-</u>	<u>(82,101)</u>	<u>-</u>
Treasury shares	<u>(33,686)</u>	<u>-</u>	<u>(33,686)</u>	<u>-</u>
Total equity	<u>18,513,911</u>	<u>73</u>	<u>16,063,223</u>	<u>66</u>
TOTAL	<u>\$ 25,368,560</u>	<u>100</u>	<u>\$ 24,406,062</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 28)				
Sales	\$ 10,319,433	100	\$ 9,201,579	100
Less: Sales returns	(7,769)	-	(19,513)	-
Sales allowances	(3,211)	-	(1,826)	-
Net operating revenue	10,308,453	100	9,180,240	100
OPERATING COSTS (Notes 11, 22 and 28)	4,807,190	46	4,355,315	47
GROSS PROFIT	5,501,263	54	4,824,925	53
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(82,802)	(1)	42,023	-
REALIZED GROSS PROFIT	5,418,461	53	4,866,948	53
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	941,579	9	845,805	9
General and administrative expenses	682,951	7	537,646	6
Research and development expenses	1,350,521	13	1,216,060	14
Expected credit (gain) loss	(2,892)	-	7,000	-
Total operating expenses	2,972,159	29	2,606,511	29
PROFIT FROM OPERATIONS	2,446,302	24	2,260,437	24
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 22)	(22,508)	-	(34,842)	-
Share of profit of subsidiaries, associates and joint ventures, net (Note 12)	752,111	7	540,822	6
Interest income (Note 28)	4,910	-	5,719	-
Rental income (Note 28)	15,421	-	15,157	-
Dividend income	55,839	1	17,526	-
Other income (Note 28)	47,573	-	64,481	1
Gain (loss) on disposal of property, plant and equipment, net	1,575,019	15	(995)	-
Gain on disposal of investment	2,684	-	480	-
Profit from lease modification	82	-	-	-
Gains arising from transfer of right in sale and lease-back transaction	154,510	2	-	-
Net foreign exchange loss (Note 32)	(85,978)	(1)	(68,727)	(1)

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CHROMA ATE INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Gain (loss) on financial assets at fair value through profit or loss, net	\$ 390	-	\$ (44)	-
Other expenses	<u>(945)</u>	<u>-</u>	<u>(5,034)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,499,108</u>	<u>24</u>	<u>534,543</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	4,945,410	48	2,794,980	30
INCOME TAX EXPENSE (Note 23)	<u>766,178</u>	<u>7</u>	<u>471,204</u>	<u>5</u>
NET PROFIT FOR THE YEAR	<u>4,179,232</u>	<u>41</u>	<u>2,323,776</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(42,177)	-	(7,804)	-
Unrealized gain (loss) on investments in equity investments designated as at fair value through other comprehensive income	258,571	2	194,230	2
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	36,998	-	37,565	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(67,435)	-	1,115	-
Share of the other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(70,564)</u>	<u>(1)</u>	<u>(136,084)</u>	<u>(1)</u>
Total other comprehensive income	<u>115,393</u>	<u>1</u>	<u>89,022</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,294,625</u>	<u>42</u>	<u>\$ 2,412,798</u>	<u>26</u>
EARNINGS PER SHARE (NT\$; Note 24)				
Basic	<u>\$ 9.96</u>		<u>\$ 5.56</u>	
Diluted	<u>\$ 9.89</u>		<u>\$ 5.51</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Ordinary Share Capital	Advance Receipts for Share Capital	Capital Surplus	Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity			Treasury Shares	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Employee Benefit	Total		
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 share 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
Appropriation of the 2020 earnings													
Legal reserve	-	-	-	231,823	-	(231,823)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(89,240)	89,240	-	-	-	-	-	-	-
Cash dividends - NT\$ 4.5 per share	-	-	-	-	-	(1,897,175)	(1,897,175)	-	-	-	-	-	(1,897,175)
Change in capital surplus from investments in subsidiaries, associates and joint ventures accounted for using the equity method	-	-	13,428	-	-	-	-	-	-	-	-	-	13,428
Net profit for the year ended December 31, 2021	-	-	-	-	-	4,179,232	4,179,232	-	-	-	-	-	4,179,232
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(40,780)	(40,780)	(137,999)	294,172	-	156,173	-	115,393
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	4,138,452	4,138,452	(137,999)	294,172	-	156,173	-	4,294,625
Adjustment of capital surplus for the Corporation's cash dividends received by subsidiaries	-	-	8,124	-	-	-	-	-	-	-	-	-	8,124
Changes in ownership interests in subsidiaries	-	-	-	-	-	(3,462)	(3,462)	-	-	-	-	-	(3,462)
Exercise of employee share options	5,800	-	27,906	-	-	-	-	-	-	-	-	-	33,706
Share-based payment transaction	-	-	890	-	-	-	-	-	-	552	552	-	1,442
Unrealized gain or loss transferred to retained earnings from disposal of equity instruments designated at fair value through other comprehensive income and investments accounted for using equity method	-	-	-	-	-	(9)	(9)	-	9	-	9	-	-
BALANCE AT DECEMBER 31, 2021	\$ 4,218,745	\$ -	\$ 4,087,223	\$ 2,824,310	\$ 86,888	\$ 7,255,798	\$ 10,166,996	\$ (604,041)	\$ 678,674	\$ -	\$ 74,633	\$ (33,686)	\$ 18,513,911

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

CHROMA ATE INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,945,410	\$ 2,794,980
Adjustments for:		
Depreciation expenses	359,674	217,918
Amortization expenses	13,964	5,033
Expected credit (gain) loss recognized on trade receivables	(2,892)	7,000
Net (gain) loss on financial assets at fair value through profit or loss	(390)	44
Finance costs	22,508	34,842
Interest income	(4,910)	(5,719)
Dividend income	(55,839)	(17,526)
Compensation costs of share-based payments	1,415	16,948
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(752,111)	(540,822)
(Gain) loss on disposal of property, plant and equipment	(1,575,019)	995
Gain on disposal of investments accounted for using equity method	(2,684)	(480)
Write-downs of inventories	3,000	42,000
Unrealized loss (gain) on transactions with subsidiaries and associates	82,802	(42,023)
Net loss on foreign currency exchange	97,541	22,713
Gain on sale and leaseback transactions	(154,510)	-
Gain on lease modification	(82)	-
Net changes in operating assets and liabilities		
Notes receivable	65,856	(66,742)
Trade receivables	166,790	386,680
Inventories	(790,330)	(370,985)
Prepayments	11,219	73,237
Other current assets	31,382	26,691
Contract liabilities	(508,688)	(175,636)
Trade payables	526,090	(228,408)
Other payables	129,470	139,896
Other current liabilities	774	5,561
Net defined benefit liabilities	(21,468)	(11,108)
Cash generated from operations	2,588,972	2,315,089
Income tax paid	(558,765)	(266,434)
Net cash generated from operating activities	<u>2,030,207</u>	<u>2,048,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets at fair value through other comprehensive income	(15,750)	(17,239)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	17,946
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	9,660	-

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CHROMA ATE INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Payments to acquire financial assets at amortized cost	\$ -	\$ (279,778)
Payments to acquire financial assets at fair value through profit or loss	(600,188)	(300,000)
Proceeds from disposal of financial assets at fair value through profit or loss	600,431	300,072
Payments to acquire subsidiaries	-	(54,626)
Proceeds from disposal of investment	3,955	688
Increase in prepayments for investments	(55,024)	-
Payments for property, plant and equipment	-	(82,462)
Proceeds from disposal of property, plant and equipment	3,080,000	20,935
Increase in advance receipts for real estate	-	308,000
Increase in refundable deposits	(5,063)	(727)
Increase in other receivables - related parties	63,258	(329,716)
Payments for intangible assets	(23,433)	(4,750)
Increase in prepayments for equipment	(972,549)	(1,451,858)
Interest received	5,347	5,345
Dividends received	<u>236,428</u>	<u>425,190</u>
Net cash generated from (used in) investing activities	<u>2,327,072</u>	<u>(1,442,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(600,000)	200,000
Proceeds from long-term borrowings	-	950,000
Repayments of long-term borrowings	(1,400,000)	(400,000)
Increase in guarantee deposits	2,360	20,887
Repayment of the principal portion of lease liabilities	(39,117)	(22,493)
Dividends paid by cash	(1,897,175)	(1,265,000)
Exercise of employee share options	33,706	112,563
Payments for buy-back of ordinary shares	-	(1,235)
Acquisition of subsidiaries	(53,457)	-
Interest paid	<u>(23,336)</u>	<u>(34,898)</u>
Net cash used in financing activities	<u>(3,977,019)</u>	<u>(440,176)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(8,312)</u>	<u>(2,535)</u>
NET INCREASE IN CASH	371,948	162,964
CASH AT THE BEGINNING OF THE YEAR	<u>622,210</u>	<u>459,246</u>
CASH AT THE END OF THE YEAR	<u>\$ 994,158</u>	<u>\$ 622,210</u>

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

(Concluded)

CHROMA ATE INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar (NTD).

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on February 23, 2022.

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

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

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

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

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Corporation has assessed that the application of above standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impacts that the application of other standards and interpretations will have on the Corporation's financial position and financial performance, and will disclose the relevant impacts when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

When preparing these financial statements, the Corporation used the equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Corporation in its financial statements, adjustments arising from the differences in accounting treatment between the basis and the consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in these financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

e. Inventories

Inventories consist of raw materials, semi-finished goods, finished goods and work-in-process, which are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and make timely adjustments to ensure that they approximate to weighted-average cost.

f. Investments accounted for using the equity method

Investments in subsidiaries, associates and joint ventures are accounted for by the equity method.

Under the equity method, investment in a subsidiary, associates and joint ventures are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary, associates and joint ventures. The Corporation recognizes the changes in the Corporation's share of equity of subsidiaries, associates and joint ventures.

1) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Corporation.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits and losses resulting from downstream transactions are eliminated in full in the Corporation's financial statement. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the Corporation's financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

2) Investments in associates and joint ventures

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate and joint venture. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Corporation's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate and joint venture), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Corporation's financial statements only to the extent that interests in the associate and the joint venture are not related to the Corporation.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing cost eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

If goodwill has been allocated to a cash-generating unit and the Corporation disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

For those financial assets which are measured at fair value, its fair value is determined in the manner described in Note 27.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

The Corporation's financial assets are classified into the following categories:

a) Financial assets at FVTPL

The Corporation's financial assets mandatorily classified as at FVTPL are investments in equity instruments which are not designated as at FVTOCI, it was measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses.

b) Financial assets at amortized cost

If the financial assets, which are invested by the Corporation, are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost.

Subsequent to initial recognition, financial assets are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Except for purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods, interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

The Corporation's financial assets at amortized cost include cash, pledged deposits, trade receivables at amortized cost and refundable deposits. Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method. On derecognition of financial liabilities, the difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Assessment of asset impairment

1) Property, plant and equipment, right-of-use asset, investment properties and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of above assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

2) Investments accounted for using the equity method

The Corporation assesses its investment in subsidiaries for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

The entire carrying amount of an investment in associates (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

3) Goodwill

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

4) Financial assets and contract assets

The Corporation assesses the impairment loss of financial assets at amortized cost (including trade receivables) and contract assets by expected credit losses on each balance sheet date.

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If the credit risk on a financial instrument has not increased significantly, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation considers the following situations as indication that a financial asset is in default:

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 120 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

m. Warranty provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditures required to settle the obligations.

n. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods comes from sales of test instruments. Revenue is recognized when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods are delivered to the customer.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

o. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms. Right-of-use assets and lease liabilities are presented on a separate line in the balance sheets.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or others, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Corporation recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

r. Share-based payment arrangements

Employee share options and restricted shares for employees that are granted to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value at the grant date of the employee share options and restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity - unearned employee benefits. The expense is recognized in full at the grant date if the grants are vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned once the employee resigns, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options and restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options and capital surplus - restricted shares for employees.

s. Taxation

Current and deferred taxes are recognized in profit or loss as income tax expense, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences based on the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

a. Estimated impairment of trade receivables

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and the historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH

	December 31	
	2021	2020
Cash on hand	\$ 1,900	\$ 1,916
Demand deposits	<u>992,258</u>	<u>620,294</u>
	<u>\$ 994,158</u>	<u>\$ 622,210</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets mandatorily at FVTPL - non-current</u>		
Open-end beneficiary certificates	<u>\$ 4,793</u>	<u>\$ 4,646</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Investments in equity instruments - non-current</u>		
Domestic listed ordinary shares and emerging market shares	\$ 929,471	\$ 670,162
Domestic unlisted ordinary shares	<u>136,548</u>	<u>131,196</u>
	<u>\$ 1,066,019</u>	<u>\$ 801,358</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2021	2020
Pledged deposits (Note 29)	<u>\$ 279,778</u>	<u>\$ 279,778</u>

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2021	2020
Gross carrying amount at amortized cost - unrelated parties	\$ 1,032,735	\$ 1,086,626
Less: Allowance for impairment loss	<u>(45,477)</u>	<u>(48,369)</u>
	987,258	1,038,257
Gross carrying amount at amortized cost - related parties	<u>1,666,038</u>	<u>1,936,374</u>
	<u>\$ 2,653,296</u>	<u>\$ 2,974,631</u>

The average credit period for sales of goods is 60 to 120 days from the date when the goods were inspected and accepted by customers, and no interest was charged on trade receivables. Before accepting any new customer, the Corporation uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Customers' limits and scores are reviewed irregularly every year. Most of the trade receivables that are neither past due nor impaired have the best credit score under the external credit scoring system used by the Corporation.

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

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

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

	December 31	
	2021	2020
Not past due	\$ 747,338	\$ 831,676
Past due 1- 60 days	99,082	72,699
Past due 61-180 days	81,613	45,151
Past due 181-365 days	74,679	41,049
Past due over 365 days	<u>30,023</u>	<u>96,051</u>
	<u>\$ 1,032,735</u>	<u>\$ 1,086,626</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 48,369	\$ 41,369
Add: Impairment loss	-	7,000
Less: Reversal of impairment loss	<u>(2,892)</u>	<u>-</u>
Balance at December 31	<u>\$ 45,477</u>	<u>\$ 48,369</u>

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 361,753	\$ 277,297
Semi-finished products	506,484	443,435
Work in process	902,739	654,770
Raw materials	<u>1,217,780</u>	<u>955,582</u>
	<u>\$ 2,988,756</u>	<u>\$ 2,331,084</u>

The cost of goods sold for the years ended December 31, 2021 and 2020 included the inventory write-downs of \$3,000 thousand and \$42,000 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 4,551,629	\$ 4,300,696
Investments in associates	3,111,361	3,122,336
Investments in joint venture	<u>16,003</u>	<u>16,891</u>
	<u>\$ 7,678,993</u>	<u>\$ 7,439,923</u>

a. Investments in subsidiaries

	December 31			
	2021		2020	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Unlisted company				
Newworld Electronics Limited	\$ 1,457,155	100.0	\$ 1,464,458	100.0
Chroma New Material Corp.	452,823	100.0	428,239	100.0
Mas Automation Corp.	54,437	100.0	270,267	100.0
Chroma ATE Inc.	240,654	100.0	128,653	100.0
Chroma Systems Solutions, Inc.	28,328	25.0	(6,717)	25.0
Chroma ATE Europe B.V.	121,610	100.0	137,505	100.0
Chroma Japan Corp.	(137,987)	100.0	(125,940)	100.0
CHI Incorporation Ltd.	240,238	100.0	197,569	100.0
Chen Hwa Technology Inc.	120,885	100.0	106,264	100.0
San Eagle Development Corp.	903,070	100.0	845,853	100.0
Sensational Holdings Ltd.	49,035	100.0	50,764	100.0
Deep Red Holding Co., Ltd.	161,366	100.0	142,022	100.0
Testar Electronics Corporation	117,453	67.2	34,528	67.2
Adivic Technology Co., Ltd.	60,382	74.1	73,705	74.1
Chroma Investment Co., Ltd.	224,435	100.0	163,702	100.0
Quantel Private Ltd.	206,174	60.0	175,480	60.0
EVT Technology Co., Ltd.	31,423	85.6	40,558	85.6
Innovative Nanotech Incorporated	162,380	67.2	152,441	71.1
Touch Cloud Inc.	57,768	83.1	21,345	78.1
	<u>\$ 4,551,629</u>		<u>\$ 4,300,696</u>	

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

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

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

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

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

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

Refer to Note 33 for the detail of the subsidiaries indirectly held by the Corporation.

Refer to Table 7 “Information on Investees” for the Corporations’ share of profit of subsidiaries under equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were calculated based on the financial statements which have been audited.

b. Investments in associates

	December 31			
	2021		2020	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Associates that are not individually material				
Adlink Technology Inc.	\$ 284,189	11.2	\$ 514,751	11.3
Dynascan Technology Corp.	152,662	27.3	141,439	27.3
Camtek Ltd.	<u>2,674,510</u>	17.8	<u>2,466,146</u>	18.1
	<u>\$ 3,111,361</u>		<u>\$ 3,122,336</u>	

	For the Year Ended December 31	
	2021	2020
The Corporation’s share of:		
Net profit	\$ 305,017	\$ 136,122
Other comprehensive loss	<u>(74,891)</u>	<u>(136,588)</u>
Total comprehensive income (loss) for the year	<u>\$ 230,126</u>	<u>\$ (466)</u>

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

Name of Associate	December 31	
	2021	2020
Adlink Technology Inc.	<u>\$ 1,583,210</u>	<u>\$ 1,552,809</u>
Camtek Ltd.	<u>\$ 9,962,445</u>	<u>\$ 4,878,058</u>

Although the Corporation’s equity interest in Camtek Ltd. fell below 20% in 2020, after assessing the Corporation’s number of seats in the board of directors of Camtek Ltd., it still has a significant influence; therefore, Camtek Ltd. is still regarded as an associate.

The Corporation is able to exercise significant influence over Adlink Technology Inc. although the percentage of shares held is less than 20%. Therefore, the Corporation accounted for Adlink Technology Inc. as an associate.

Refer to Table 7 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

Except for Adlink Technology Inc., the investments in associate accounted for using equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Adlink Technology Inc., which have not been audited.

c. Investments in joint ventures

	December 31			
	2021		2020	
	Amount	Percentage of Equity Interest (%)	Amount	Percentage of Equity Interest (%)
Joint ventures that are not individually material				
Chih Ho Shun Development Co., Ltd.	<u>\$ 16,003</u>	35.0	<u>\$ 16,891</u>	35.0

Aggregate information of joint ventures that are not individually material:

	For the Year Ended December 31	
	2021	2020
The Corporation's share of:		
Net loss	\$ (888)	\$ (730)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (888)</u>	<u>\$ (730)</u>

For the investment and development plan, "The Action Plan for Developing Land Surrounding the MRT Airport Station to Improve Civilians' Life," the board of directors resolved to invest jointly with Dynapack International Corporation and Heran Co., Ltd. to set up Chih Ho Shun Development Co., Ltd. ("Chih Ho Shun") on February 21, 2012. The Corporation invested for a 35% entity interest in Chih Ho Shun but did not have control over this investee.

Refer to Table 7 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of joint ventures.

The investments in joint ventures accounted for using the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2021 and 2020 were based on the joint ventures' financial statements which have been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance, January 1, 2020	\$ 1,138,906	\$ 2,033,510	\$ 179,278	\$ 1,246,991	\$ 4,598,685
Additions	-	7,309	14,739	65,651	87,699
Disposals	-	-	(2,024)	(175,987)	(178,011)
Reclassification	-	3,195	(12,764)	84,658	75,089
Balance, December 31, 2020	<u>\$ 1,138,906</u>	<u>\$ 2,044,014</u>	<u>\$ 179,229</u>	<u>\$ 1,221,313</u>	<u>\$ 4,583,462</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2020	\$ -	\$ 1,123,547	\$ 132,245	\$ 936,348	\$ 2,192,140
Depreciation	-	68,836	23,951	102,442	195,229
Disposals	-	-	(2,022)	(147,195)	(149,217)
Reclassification	-	2,512	(18,057)	8,362	(7,183)
Balance, December 31, 2020	<u>\$ -</u>	<u>\$ 1,194,895</u>	<u>\$ 136,117</u>	<u>\$ 899,957</u>	<u>\$ 2,230,969</u>
Carrying amount at December 31, 2020	<u>\$ 1,138,906</u>	<u>\$ 849,119</u>	<u>\$ 43,112</u>	<u>\$ 321,356</u>	<u>\$ 2,352,493</u>
<u>Cost</u>					
Balance, January 1, 2021	\$ 1,138,906	\$ 2,044,014	\$ 179,299	\$ 1,221,313	\$ 4,583,462
Disposals	(425,072)	(1,601,556)	(4,786)	(147,605)	(2,179,019)
Reclassification	2,519	4,035,943	66,262	32,023	4,136,747
Balance, December 31, 2021	<u>\$ 716,353</u>	<u>\$ 4,478,401</u>	<u>\$ 240,705</u>	<u>\$ 1,105,731</u>	<u>\$ 6,541,190</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2021	\$ -	\$ 1,194,895	\$ 136,117	\$ 899,957	\$ 2,230,969
Depreciation	-	172,262	32,615	121,429	326,306
Disposals	-	(938,399)	(4,787)	(146,191)	(1,089,377)
Reclassification	-	-	-	(252,089)	(252,089)
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 428,758</u>	<u>\$ 163,945</u>	<u>\$ 623,106</u>	<u>\$ 1,215,809</u>
Carrying amount at December 31, 2021	<u>\$ 716,353</u>	<u>\$ 4,049,643</u>	<u>\$ 76,760</u>	<u>\$ 482,625</u>	<u>\$ 5,325,381</u>

The Corporation's board of directors resolved to sell the land and plant in Hwa Ya Technology Park to its related party, Adlink Technology, on July 3, 2020. The transaction price, which amounted to \$3,080,000 thousand, was determined with reference to the appraisal results of independent real estate appraisers. The transaction was settled on the first quarter of 2021. In addition, the Corporation sold and leased back a portion of assets for 5 years for operational needs. The transaction resulted in a total acquisitions of right-of-use assets of \$128,797 thousand and lease liabilities of \$170,699 thousand, refer to Note 28 for related information.

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

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Primary buildings	41-50 years
Mechanical and electrical equipment	8-15 years
Clean room equipment	3-11 years
Others	1-49 years
Machinery	1-10 years
Office equipment	1-9 years

14. LEASE ARRANGEMENTS

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

The right-of-use assets increases \$137,234 thousand and \$31,159 thousand, the depreciation expense was \$33,368 thousand and \$22,689 thousand, and the total cash out flow in lease was \$47,376 thousand and \$25,953 thousand for the years ended December 31, 2021 and 2020, respectively. Refer to the balance sheets for the right-of-use assets and lease liabilities.

15. INVESTMENT PROPERTIES

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

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

	December 31	
	2021	2020
Fair value	<u>\$ 11,830,879</u>	<u>\$ 11,754,551</u>

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

16. GOODWILL

To reorganize the organization structure, save operating costs and improve the operating efficiency, the Corporation's board of directors resolved to acquire Silver Town Electronic Co., Ltd. in February 2008. The goodwill was from the premium acquisition. There was no change for the years end December 31, 2021 and 2020.

For assessing goodwill for impairment, the Corporation took value in use as basis for calculating the recoverable amount of goodwill. The Corporation used the cash flows of a five-year financial forecast as the basis for calculating value in use to reflect the specific risk of cash-generating units.

The Corporation did not recognize any impairment loss on goodwill for the years ended December 31, 2021 and 2020.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured bank loans	<u>\$ 1,200,000</u>	<u>\$ 1,800,000</u>
Interest rate (%)	0.52%-0.68%	0.52%-0.71%

b. Long-term borrowings

	December 31	
	2021	2020
Secured bank loans (Note 29)	\$ -	\$ 300,000
Unsecured bank loans	<u>1,450,000</u>	<u>2,550,000</u>
	1,450,000	2,850,000
Less: Current portions	<u>200,000</u>	<u>620,000</u>
	<u>\$ 1,250,000</u>	<u>\$ 2,230,000</u>

The Corporation applied for bank loan for increasing operating budget. As of December 31, 2021 and 2020, the interest rate was 0.68%-0.83% and 0.69%-0.89% per annum on a floating basis. The bank loan will be due in June 2026.

18. OTHER PAYABLES

	December 31	
	2021	2020
Salaries and bonus	\$ 386,421	\$ 343,916
Employee's compensation	448,825	408,769
Remuneration of directors	9,600	9,600
Others	<u>264,971</u>	<u>223,244</u>
	<u>\$ 1,109,817</u>	<u>\$ 985,529</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amount equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of year, the Corporation assesses the balances in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 530,677	\$ 486,736
Fair value of plan assets	<u>(357,519)</u>	<u>(334,287)</u>
Net defined benefit liabilities	<u>\$ 173,158</u>	<u>\$ 152,449</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 475,089</u>	<u>\$ (319,336)</u>	<u>\$ 155,753</u>
Current service cost	3,576	-	3,576
Net interest expense (income)	<u>3,563</u>	<u>(2,453)</u>	<u>1,110</u>
Recognized in profit or loss	<u>7,139</u>	<u>(2,453)</u>	<u>4,686</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,445)	(10,445)
Actuarial (gain) loss			
Changes in demographic assumptions	118	-	118
Changes in financial assumptions	13,617	-	13,617
Experience adjustments	<u>4,514</u>	<u>-</u>	<u>4,514</u>
Recognized in other comprehensive income	<u>18,249</u>	<u>(10,445)</u>	<u>7,804</u>
Contributions from employer	<u>-</u>	<u>(15,794)</u>	<u>(15,794)</u>
Benefits paid	<u>(13,741)</u>	<u>13,741</u>	<u>-</u>
Balance at December 31, 2020	<u>486,736</u>	<u>(334,287)</u>	<u>152,449</u>
Current service cost	3,381	-	3,381
Net interest expense (income)	<u>2,408</u>	<u>(1,711)</u>	<u>697</u>
Recognized in profit or loss	<u>5,789</u>	<u>(1,711)</u>	<u>4,078</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,263)	(4,263)
Actuarial (gain) loss			
Changes in demographic assumptions	15,086	-	15,086
Experience adjustments	<u>31,354</u>	<u>-</u>	<u>31,354</u>
Recognized in other comprehensive income	<u>46,440</u>	<u>(4,263)</u>	<u>42,177</u>
Contributions from employer	<u>-</u>	<u>(25,546)</u>	<u>(25,546)</u>
Benefits paid	<u>(8,288)</u>	<u>8,288</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 530,677</u>	<u>\$ (357,519)</u>	<u>\$ 173,158</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.38%-0.50%	0.38%-0.50%
Expected rate(s) of salary increase	1.50%-2.50%	1.50%-2.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (13,924)</u>	<u>\$ (13,617)</u>
0.25% decrease	<u>\$ 14,466</u>	<u>\$ 14,172</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 13,956</u>	<u>\$ 13,667</u>
0.25% decrease	<u>\$ (13,508)</u>	<u>\$ (13,206)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 30,000</u>	<u>\$ 15,713</u>
Average duration of the defined benefit obligation	11.1 years	11.6 years

20. EQUITY

a. Ordinary share capital

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>421,875</u>	<u>421,295</u>
Shares issued	<u>\$ 4,218,745</u>	<u>\$ 4,212,945</u>

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

b. Capital surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (Note)</u>		
Additional paid-in capital	\$ 3,372,101	\$ 3,331,004
Treasury share transactions	218,317	210,193
Consolidation excess	146,976	146,976
<u>May be used to offset a deficit only</u>		
Share of changes in capital surplus of associates or joint ventures	341,296	327,868
<u>May not be used for any purpose</u>		
Employee shares options	8,533	16,060
Employee restricted shares	-	4,774
	<u>\$ 4,087,223</u>	<u>\$ 4,036,875</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Corporation's Articles of Incorporation (the "Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the abovementioned distribution of earnings, the board of directors was authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on distribution of employees' compensation of employees and remuneration to directors, refer to d. employees' compensation of employees and remuneration of directors in Note 22.

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

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

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

The appropriations of earnings for 2020 and 2019, which have been approved in the annual shareholders’ meetings on August 18, 2021 and on June 10, 2020, respectively, were as follows:

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

The appropriations of earnings for 2021 had been proposed by the Corporation’s board of directors on February 23, 2022, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 413,498	
Cash dividends	2,970,000	\$7.0

The aforementioned cash dividends had been resolved by the Corporation’s board of directors, and the rest is subject to the resolution of the shareholders in their meeting to be held on June 9, 2022.

d. Special reserves

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

e. Other equity items

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unearned Employee Benefit
<u>For the year ended December 31, 2021</u>			
Balance at January 1, 2021	\$ (466,042)	\$ 384,493	\$ (552)
Exchange differences on translating foreign operations	(67,435)	-	-
Unrealized gain arising from equity investments	-	258,571	-
Share of other comprehensive gain (loss) of associates and join ventures accounted for using the equity method	(70,628)	35,601	-
Disposal of investments accounted for using the equity method	64	9	-
Share-based payment transaction	<u>-</u>	<u>-</u>	<u>552</u>
Balance at December 31, 2021	<u>\$ (604,041)</u>	<u>\$ 678,674</u>	<u>\$ -</u>
<u>For the year ended December 31, 2020</u>			
Balance at January 1, 2020	\$ (331,073)	\$ 154,946	\$ (11,524)
Exchange differences on translating foreign operations	1,115	-	-
Unrealized gain arising from equity investments	-	194,230	-
Share of other comprehensive gain (loss) of associates and join ventures accounted for using the equity method	(136,092)	35,317	-
Disposal of investments accounted for using the equity method	8	-	-
Share-based payment transaction	<u>-</u>	<u>-</u>	<u>10,972</u>
Balance at December 31, 2020	<u>\$ (466,042)</u>	<u>\$ 384,493</u>	<u>\$ (552)</u>

f. Treasury shares

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

	December 31	
	2021	2020
Number of shares held (in thousands of shares)	<u>1,806</u>	<u>1,806</u>
Carrying amount	<u>\$ 33,686</u>	<u>\$ 33,686</u>
Market price	<u>\$ 361,116</u>	<u>\$ 303,337</u>

Forfeited employee restricted shares of 123 thousand were returned to the Corporation and canceled during 2020.

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

21. REVENUE

Contract revenue of the Corporation comes from sale of goods.

a. Contract balances

	December 31	
	2021	2020
Contract liabilities from sale of goods (1)	\$ 51,033	\$ 251,721
Construction contract revenue (2)	<u>-</u>	<u>308,000</u>
	<u>\$ 51,033</u>	<u>\$ 559,721</u>

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

2) Refer to Notes 13 and 28 for related information.

b. Disaggregation of revenue

	For the Year Ended December 31	
	2021	2020
Automatic test systems	\$ 5,354,137	\$ 4,976,066
Precision electronic test instruments	3,871,975	3,352,078
Others	<u>1,082,341</u>	<u>852,096</u>
	<u>\$ 10,308,453</u>	<u>\$ 9,180,240</u>

22. ADDITIONAL INFORMATION ON EXPENSES

a. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on borrowings	\$ 21,034	\$ 34,097
Interest on lease liabilities	<u>1,474</u>	<u>745</u>
	<u>\$ 22,508</u>	<u>\$ 34,842</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 111,090	\$ 43,477
Operating expenses	<u>248,584</u>	<u>174,441</u>
	<u>\$ 359,674</u>	<u>\$ 217,918</u>
An analysis of amortization by function		
Operating costs	\$ 85	\$ -
Operating expenses	<u>13,879</u>	<u>5,033</u>
	<u>\$ 13,964</u>	<u>\$ 5,033</u>

c. Employee benefits expense

	For the Year Ended December 31					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term benefits						
Salary expenses	\$ 352,274	\$ 1,669,377	\$ 2,021,651	\$ 300,078	\$ 1,525,548	\$ 1,825,626
Insurance expenses	36,975	116,172	153,147	31,134	106,919	138,053
Remuneration of directors	-	10,230	10,230	-	10,320	10,320
	<u>389,249</u>	<u>1,795,779</u>	<u>2,185,028</u>	<u>331,212</u>	<u>1,642,787</u>	<u>1,973,999</u>
Share-based payments	-	1,415	1,415	-	16,948	16,948
Retirement benefits						
Defined contribution plans	10,856	61,429	72,285	9,705	57,473	67,178
Defined benefit plans	592	3,486	4,078	737	3,949	4,686
	<u>11,448</u>	<u>64,915</u>	<u>76,363</u>	<u>10,442</u>	<u>61,422</u>	<u>71,864</u>
Other employee benefits	<u>19,480</u>	<u>23,905</u>	<u>43,385</u>	<u>16,185</u>	<u>23,868</u>	<u>40,053</u>
Total employee benefits expense	<u>\$ 420,177</u>	<u>\$ 1,886,014</u>	<u>\$ 2,306,191</u>	<u>\$ 357,839</u>	<u>\$ 1,745,025</u>	<u>\$ 2,102,864</u>

- 1) As of December 31, 2021 and 2020, the Corporation's average number of employees was 1,831 and 1,754 employees, respectively, among which 5 directors not concurrently holding positions in the Corporation in both years. The basis of above calculations was the same as the basis used in the calculation of employee benefits expense.
- 2) As of December 31, 2021 and 2020, the average employee benefit expenses were \$1,257 thousand and \$1,196 thousand, respectively; average salary expenses were \$1,107 thousand and \$1,044 thousand, respectively. The change in average salary expense was 6.0%.
- 3) The Corporation set up an audit committee in accordance with Article 14-4 of Securities and Exchange Act and did not set up supervisory duties.
- 4) The Corporation's compensation policy is determined by considering the operating performance and future development of the current year and the remuneration of directors and managers and employees are as follows:

Directors

The remuneration paid by the Corporation comprises bonus for directors. When the board of directors is held, the Corporation will also pay the directors' attendance.

According to Article 34 of the Corporation's Articles of Incorporation, bonus distributed to directors shall not be greater than 1.5% of the Corporation's net profit before income tax, employees' compensation, and remuneration of directors.

The fixed amount of directors' remuneration for 2021 and 2020 was 9,600 thousand which accounts for 0.18% and 0.30% of the net profit before tax for each year, respectively. The director attendance expenses for 2021 and 2020 were \$630 thousand and \$720 thousand, respectively.

Managers

The Corporation has established the "Regulations Governing Compensation for Senior Executives", which stipulates that when a manager is appointed, he/she shall be paid a fixed monthly salary based on the pay standards for similar positions in the industry. Any proposal to change employee bonus shall be made according to the Corporation's operational performance for the current year and by taking into individual performance appraisal. Such proposal shall first be submitted to the Remuneration Committee for review before it is delivered to the Board of Directors for resolution.

Staff

The Corporation's remuneration policy takes into account the salary levels of benchmark companies in the market, and provide differentiated and competitive salaries for employees based on the achievement of performance indicators to reflect the ability of employees and to measure salary and bonus levels. The salary composition includes salaries, bonuses and employee remuneration, benefits, etc.; benefits are superior to the legal provisions as prerequisites are designed to improve talent attraction, motivation, and retention effects.

d. Employees' compensation and remuneration of directors

According to the Article of Incorporation of the Corporation, the Corporation accrues employees' compensation and remuneration of directors at the rates of 5%-20% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which have been approved by the Corporation's board of directors on February 23, 2022 and February 25, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	Rate (%)	Amount	Rate (%)
Employees' compensation	\$ 415,047	7.73	\$ 383,845	12.04
Remuneration of directors	9,600	0.18	9,600	0.30

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

There is no difference between the actual amounts of the employees' compensation and remuneration of directors paid and the actual amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 433,897	\$ 365,461
Land value incremental tax	200,196	-
Income tax on unappropriated earnings	14,307	14,990
Adjustments for prior years	<u>-</u>	<u>(36,631)</u>
	<u>648,400</u>	<u>343,820</u>
Deferred tax		
In respect of the current year	<u>117,778</u>	<u>127,384</u>
Income tax expense recognized in profit or loss	<u>\$ 766,178</u>	<u>\$ 471,204</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 4,945,410</u>	<u>\$ 2,794,980</u>
Income tax expense calculated at the statutory rate	\$ 989,082	\$ 558,996
Adjustment items in determining taxable income		
Tax-exempt income	(326,751)	(3,405)
Other	8,645	18,808
Land value incremental tax	200,196	-
Unrecognized investment credits	(119,301)	(81,554)
Income tax on unappropriated earnings	14,307	14,990
Adjustments for prior years' tax	<u>-</u>	<u>(36,631)</u>
Income tax expense recognized in profit or loss	<u>\$ 766,178</u>	<u>\$ 471,204</u>

- b. Deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized intercompany gain	\$ 112,022	\$ 16,560	\$ 128,582
Inventory reserve	56,058	600	56,658
Unrealized exchange loss	5,301	3,275	8,576
Gain on disposal of assets	-	3,853	3,853
Allowance for impaired receivables	3,628	70	3,698
Net defined benefit liability	3,762	(3,762)	-
Others	<u>873</u>	<u>-</u>	<u>873</u>
	<u>\$ 181,644</u>	<u>\$ 20,596</u>	<u>\$ 202,240</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax liabilities</u>			
Temporary differences			
Unappropriated earnings of subsidiaries	\$ 566,002	\$ 135,236	\$ 701,238
Goodwill	33,220	2,606	35,826
Others	<u>-</u>	<u>532</u>	<u>532</u>
	<u>\$ 599,222</u>	<u>\$ 138,374</u>	<u>\$ 737,596</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized intercompany gain	\$ 120,426	\$ (8,404)	\$ 112,022
Inventory reserve	47,658	8,400	56,058
Unrealized exchange loss	8,952	(3,651)	5,301
Net defined benefit liability	5,983	(2,221)	3,762
Allowance for impaired receivables	1,546	2,082	3,628
Provisions	<u>873</u>	<u>-</u>	<u>873</u>
	<u>\$ 185,438</u>	<u>\$ (3,794)</u>	<u>\$ 181,644</u>

Deferred tax liabilities

Temporary differences			
Unappropriated earnings of subsidiaries	\$ 445,017	\$ 120,985	\$ 566,002
Goodwill	<u>30,615</u>	<u>2,605</u>	<u>33,220</u>
	<u>\$ 475,632</u>	<u>\$ 123,590</u>	<u>\$ 599,222</u>

c. Income tax assessments

The Corporation's tax returns through 2019 had been assessed by the tax authorities.

24. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 4,179,232</u>	<u>\$ 2,323,776</u>

Shares

(In Thousands of Shares)

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	419,790	417,761
Effect of potentially dilutive ordinary shares:		
Employees' compensation	2,250	2,575
Employee share options	621	1,248
Employee restricted shares	<u>-</u>	<u>46</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>422,661</u>	<u>421,630</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

The Corporation had not granted employee share options for the years ended December 31, 2021 and 2020. Information on employee share options is as follows:

	For the Year Ended December 31			
	2021		2020	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,238	\$ 58.7	3,136	\$ 59.8
Options exercised	(580)	58.1	(1,892)	59.5
Options forfeited	<u>-</u>	-	<u>(6)</u>	-
Balance at December 31	<u>658</u>	57.3	<u>1,238</u>	58.7
Options exercisable, end of the year	<u>658</u>		<u>1,238</u>	

Information on outstanding options is as follows:

December 31			
2021		2020	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$ 57.3	\$ 0.24	\$ 58.7	\$ 1.24

Compensation costs recognized was \$2,646 thousand for the year ended December 31, 2020.

b. Restricted shares for employees

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

- 1) Employees who are granted RSUs, upon meeting the Corporation's financial performance and personal performance indicators, are eligible to be vested 10, 20, 30 and 40 percent of the RSUs granted after 1, 2, 3 and 4 years of tenure after the subscription date, respectively.
- 2) The restrictions on the rights of the employees who are granted RSUs but have not met the vesting conditions are as follows:
 - a) The employees are not eligible to sell, pledge, transfer, donate or to dispose any RSUs in any form.
 - b) The employees holding RSUs are entitled to receive dividends and similar purchasing rights to ordinary shares during capital increase. Dividends from RSUs are not restricted during the vesting period, and are appropriated to the employees' personal account from trust account after the dividend distribution date.
 - c) Before the restricted shares are vested to the employees, the right of attendance, proposal, speech, voting and other rights of shareholders are acted by the custodian.
 - d) The RSUs should be delivered to trust custodians upon grant date. The employees cannot request for return in any manner before vesting conditions are met.
- 3) If an employee fails to meet the vesting conditions, the Corporation will recall or buy back and cancel the restricted shares at issued price. If an employee voluntarily resigns, retires, disabled or decease due to occupational hazards, dismissed, be transferred to another post, violates labor contracts or working protocols substantially or abandons restricted shares, related guidelines of RSU Plan will be followed accordingly.

Information relating to outstanding employee restricted shares is as follows:

	For the Year Ended December 31	
	2021	2020
Restricted shares at the beginning of the year	52	1,285
Share vested	(52)	(1,110)
Shares canceled	<u>-</u>	<u>(123)</u>
Restricted shares at the end of the year	<u>-</u>	<u>52</u>

Compensation costs of share-based payment arising from the RSU Plan were \$1,415 thousand and \$14,302 thousand for the years ended December 31, 2021 and 2020, respectively.

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

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

Management believes the carrying amount of financial assets and financial liabilities not measured at fair value recognized in the financial statements approximates their fair values.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Openend beneficiary certificates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,793</u>	<u>\$ 4,793</u>
Financial assets at FVTOCI				
Domestic listed ordinary shares and emerging markets shares	\$ 511,180	\$ -	\$ 418,291	\$ 929,471
Foreign unlisted equity securities	<u>-</u>	<u>-</u>	<u>136,548</u>	<u>136,548</u>
	<u>\$ 511,180</u>	<u>\$ -</u>	<u>\$ 554,839</u>	<u>\$ 1,066,019</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Open-end beneficiary certificates	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,646</u>	\$ <u>4,646</u>
Financial assets at FVTOCI				
Domestic listed ordinary shares and emerging markets shares	\$ 376,499	\$ -	\$ 293,663	\$ 670,162
Foreign unlisted equity securities	<u>-</u>	<u>-</u>	<u>131,196</u>	<u>131,196</u>
	<u>\$ 376,499</u>	<u>\$ -</u>	<u>\$ 424,859</u>	<u>\$ 801,358</u> (Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Open-end Beneficiary Certificates	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2021	\$ 4,646	\$ 424,859	\$ 429,505
Purchases	-	15,750	15,750
Reduction of capital cash return	-	(9,660)	(9,660)
Recognized in profit or loss (included in valuation gains and losses)	147	-	147
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	<u>-</u>	<u>123,890</u>	<u>123,890</u>
Balance at December 31, 2021	<u>\$ 4,793</u>	<u>\$ 554,839</u>	<u>\$ 559,632</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Open-end Beneficiary Certificates	Equity Instruments	
Balance at January 1, 2020	\$ 4,762	\$ 200,037	\$ 204,799
Purchases	-	17,239	17,239
Disposal	-	(9,000)	(9,000)
Unrealized gains and losses from sales to subsidiaries	-	(8,946)	(8,946)
Recognized in profit or loss (included in valuation gains and losses)	(116)	-	(116)
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	-	225,529	225,529
Balance at December 31, 2020	<u>\$ 4,646</u>	<u>\$ 424,859</u>	<u>\$ 429,505</u>

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

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

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily at FVTPL	\$ 4,793	\$ 4,646
Financial assets at amortized cost (1)	4,370,212	4,405,723
Financial assets at FVTOCI		
Equity instruments	1,066,019	801,358
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	5,337,863	6,698,301

1) The balances include financial assets at amortized cost, which comprise cash, financial assets at amortised cost, notes receivable, trade receivables, other receivables (classified as other receivable - related parties and other current assets) and refundable deposits.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, trade payables, other payables, long-term loans (including current portion of long-term borrowings) and guarantee deposits received.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Corporation was mainly exposed to USD and RMB.

The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and their translation at period-end is adjusted for a 5% change in foreign-currency rates. Had the NTD strengthened/weakened by 5% against the relevant currency, the pre-tax profit would have decreased/increased by \$85,192 thousand and \$101,208 thousand for the years ended December 31, 2021 and 2020, respectively.

b) Interest rate risk

The Corporation is exposed to interest rate risk because it borrows funds both at fixed and floated interest rates. The Corporation evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied. The carrying amounts of the financial assets and liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 279,778	\$ 279,778
Financial liabilities	185,733	1,054,289
Cash flow interest rate risk		
Financial assets	992,258	620,294
Financial liabilities	2,650,000	3,650,000

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$8,289 thousand and \$15,149 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its variable rate deposits and bank loans.

c) Price risk

The Corporation is exposed to equity price risks mainly arising from investment in open-end beneficiary certificates, listed stocks and emerging markets stocks in Taiwan, which are held for strategic rather than trading purposes. The Corporation does not actively trade these investments. The Corporation manages the risk through holding various portfolios of investment and having each equity investment to get prior approval from the Corporation's management.

Sensitivity analysis

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

If equity prices had been 5% higher/lower, the pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$240 thousand and \$232 thousand, respectively, as a result of the changes in fair values of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$53,301 thousand and \$40,068 thousand, respectively, as a result of the changes in fair values of financial assets at FVTOCI.

2) Credit risk

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

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

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

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

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

3) Liquidity risk

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

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation's available unutilized bank loan facilities were \$3,800,000 thousand and \$2,850,000 thousand, respectively.

Liquidity and interest risk tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. Bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	December 31, 2021		
	Within 1 Year	1-5 Years	More Than 5 Years
Non-interest bearing	\$ 2,644,616	\$ -	\$ -
Floating interest rate instruments	1,413,814	1,262,347	-
Lease liabilities	<u>47,547</u>	<u>136,956</u>	<u>4,789</u>
	<u>\$ 4,105,977</u>	<u>\$ 1,399,303</u>	<u>\$ 4,789</u>
	December 31, 2020		
	Within 1 Year	1-5 Years	More Than 5 Years
Non-interest bearing	\$ 2,007,414	\$ -	\$ -
Fixed interest rate instruments	1,000,185	-	-
Floating interest rate instruments	1,445,424	2,136,262	120,417
Lease liabilities	<u>20,998</u>	<u>28,220</u>	<u>6,530</u>
	<u>\$ 4,474,021</u>	<u>\$ 2,164,482</u>	<u>\$ 126,947</u>

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

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

28. TRANSACTIONS WITH RELATED PARTIES

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

Related Party	Relationship with the Corporation
Chroma ATE Inc. (“Chroma USA”)	Subsidiary
Newworld Electronics Limited (“Newworld”)	Subsidiary
Chroma ATE Europe B.V. (“Chroma Europe”)	Subsidiary
Chroma Investment Co., Ltd. (“Chroma Investment”)	Subsidiary
Chroma New Material Corp. (“Chroma New Material”)	Subsidiary
Chroma Japan Corp. (“Chroma Japan”)	Subsidiary
Chroma Systems Solutions, Inc. (“CSS”)	Subsidiary
Quantel Private Ltd. (“Quantel”)	Subsidiary
Mas Automation Corp. (“Taiwan Wei Kuang”)	Subsidiary
Testar Electronics Corporation (“Testar Electronics”)	Subsidiary
Adivic Technology Co., Ltd. (“Adivic Tech.”)	Subsidiary
Sajet System Technology (Suzhou) Co., Ltd. (“Sajet Suzhou”)	Subsidiary
Chroma Electronics (Shenzhen) Co., Ltd. (“Chroma Shenzhen”)	Subsidiary
Chroma Electronics (Shanghai) Co., Ltd. (“Chroma Shanghai”)	Subsidiary
Chroma ATE (Suzhou) Co., Ltd. (“Chroma Suzhou”)	Subsidiary
EVT Technology Co., Ltd. (“EVT”)	Subsidiary
Innovative Nanotech Incorporated (“Innovative”)	Subsidiary
Chroma Germany GmbH (“Chroma Germany”)	Subsidiary
Adlink Technology Inc. (“Adlink”)	Associate
DynaScan Technology Corp. (“DynaScan Technology”)	Associate
Chih Ho Shun Development Co., Ltd.	Joint venture
Tian Zheng International Precision Machinery Co., Ltd. (“Tian Zheng International”)	Other related party
Taiwan Advanced Nanotech Inc. (“TAN Bead”)	Other related party

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

The related-party transactions were as follows:

- b. Sales

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Newworld	\$ 2,438,399	\$ 3,090,906
Chroma USA	1,226,840	1,054,688
Others	2,945,225	2,042,821
Associates	24,245	18,003
Other related parties	<u>18,626</u>	<u>-</u>
	<u>\$ 6,653,335</u>	<u>\$ 6,206,418</u>

To raise market share and expand its market in the America, Europe and mainland China, the Corporation set up Chroma USA, Chroma Europe and Newworld. The selling prices for Chroma USA, CSS, Chroma Europe, Newworld, Chroma Suzhou, and Chroma Shenzhen were determined after taking the selling and post-sale service expenses into consideration.

c. Purchases

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 148,323	\$ 116,053
Associates	19,795	21,686
Other related parties	<u>8,582</u>	<u>9</u>
	<u>\$ 176,700</u>	<u>\$ 137,748</u>

d. Contract liabilities

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

It is advance receipt for selling the land and plant in Hwa Ya Technology park, refer to Note 13 for the detailed information.

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

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade receivables	Subsidiaries		
	Newworld	\$ 415,016	\$ 533,772
	Chroma Japan	344,895	208,148
	Chroma USA	310,748	567,037
	Others	581,600	622,376
	Associates	11,796	5,041
	Other related parties	<u>1,983</u>	<u>-</u>
		<u>\$ 1,666,038</u>	<u>\$ 1,936,374</u>
Other receivable - related party (dividends receivable)	Subsidiaries		
	Taiwan Wei Kuang	<u>\$ 295,000</u>	<u>\$ 305,000</u>

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

Line Item	Related Party Categories/Name	December 31	
		2021	2020
Trade payables	Subsidiaries	\$ 25,019	\$ 25,550
	Associates	3,803	6,341
	Other related parties	<u>4,777</u>	<u>-</u>
		<u>\$ 33,599</u>	<u>\$ 31,891</u>

- g. Acquisitions of property, plant and equipment

Related Party Categories/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 6,248	\$ 1,121
Associates	<u>24,182</u>	<u>740</u>
	<u>\$ 30,430</u>	<u>\$ 1,861</u>

- h. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Associates				
Adlink Technology Inc.	<u>\$ 3,080,000</u>	<u>\$ -</u>	<u>\$ 1,575,072</u>	<u>\$ -</u>

Gain arising from transfer of right recognized as a result of sale and leaseback transactions amounted to \$154,510 thousand for the year ended December 31, 2021. Refer to Note 13 for the detailed information.

- i. Lease arrangements

		For the Year Ended December 31	
Related Party Categories/Name		2021	2020
<u>Acquisitions of right-of-use assets</u>			
Associates			
	Adlink Technology Inc.	\$ 128,797	\$ -

Line Item	Related Party Categories/Name	December 31	
		2021	2020
Lease liabilities	Associates		
	Adlink Technology Inc.	\$ 145,525	\$ -

Refer to Note 13 for the related transaction.

j. Loans to related parties

1) Loans and interest receivables

Line Item	Related Party Categories/Name	December 31	
		2021	2020
Other receivable - related party	Subsidiaries		
	CSS	\$ 100,106	\$ 106,417
	Chroma Japan	<u>24,949</u>	<u>82,676</u>
		<u>\$ 125,055</u>	<u>\$ 189,093</u>
Other current assets (interest receivables)	Subsidiaries	<u>\$ 301</u>	<u>\$ 731</u>

2) Interest revenue

Related Party Categories/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
CSS	\$ 3,352	\$ 3,664
Chroma Japan	<u>978</u>	<u>938</u>
	<u>\$ 4,330</u>	<u>\$ 4,602</u>

Refer to Table 1 (attached) for other information related to financing provided.

k. Endorsement guarantees provided

Refer to Table 2 (attached) for other information related to endorsement guarantees provided.

l. Others

1) Commission expense

Related Party Categories/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Chroma Shanghai	\$ 29,573	\$ 29,144
Quantel	26,796	5,523
Chroma Suzhou	16,419	10,141
Others	<u>10,966</u>	<u>4,691</u>
	<u>\$ 83,754</u>	<u>\$ 49,499</u>

Commission expense refers to the disbursements made for business introduction activities.

2) Rental income

Related Party Categories/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Testar Electronics	\$ 5,757	\$ 11,979
Adivic Tech.	2,192	-
Others	647	1,284
Associates		
Dynascan Technology Corp.	6,611	1,260
Joint venture		
Others	<u>16</u>	<u>-</u>
	<u>\$ 15,223</u>	<u>\$ 14,523</u>

The Corporation leased out its A7 office buildings and plant, as well as the plant in Hsinchu Science Industrial Park to the above related parties under operating lease, and these leases were based on market prices. Rents were collected monthly.

3) Management service income

Related Party Categories/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Chroma New Material	\$ 6,000	\$ 6,000
Others	<u>600</u>	<u>600</u>
	<u>\$ 6,600</u>	<u>\$ 6,600</u>

Management service income was from the Corporation's provision of administrative services.

4) Other current assets - other receivables

Related Party Categories/Name	December 31	
	2021	2020
Subsidiaries		
Testar Electronics	\$ 2,026	\$ 13,679
Newworld	5,202	4,817
Others	858	1,520
Associates		
Dynascan Technology Corp.	2,755	-
Others.	16	523
Joint venture		
Others.	<u>3</u>	<u>-</u>
	<u>\$ 10,860</u>	<u>\$ 20,539</u>

Receivables were recognized from managerial services and building rentals.

m. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 175,876	\$ 144,666
Post-employment benefits	<u>2,765</u>	<u>2,435</u>
	<u>\$ 178,641</u>	<u>\$ 147,101</u>

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for bank loans were as follows:

	December 31	
	2021	2020
Land and buildings, net	\$ -	\$ 597,432
Pledged deposits (classified as financial assets measured at amortized cost)	<u>279,778</u>	<u>279,778</u>
	<u>\$ 279,778</u>	<u>\$ 877,210</u>

30. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- Considering the future strategy of products and the improvement of product competitiveness, the Corporation invested in 100% equity of Environmental Stress Systems, Inc. for US\$1.98 million, and completed the equity investment in January 2022.
- Considering the future strategy of operation, the Corporation's board of directors resolved to terminate main business and dissolve its important subsidiary, Chroma New Material Corp., on January 11, 2022.
- The Corporation's subsidiary, Mou Kuan Technologies (Nanjing) Co., Ltd., had completed its liquidation procedures on January 25, 2022.

31. SIGNIFICANT EVENTS

The global economic and financial development are facing significant uncertainty due to the outbreak of COVID-19 pandemic. As of the date the financial statements were authorized for issue, the Corporation assessed that the pandemic did not have material impact on its ability to continue as a going concern, impairment of assets and risks arising from financing activities. The Corporation continuously observes and assesses the impact of the pandemic on the aforementioned aspects.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 60,274	27.680 (USD:NTD)	\$ 1,668,384
RMB	107,879	4.344(RMB:NTD)	<u>468,626</u>
			<u>\$ 2,137,010</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	170,744	27.680 (USD:NTD)	\$ 4,657,421
HKD	489,648	3.549(HKD:NTD)	<u>1,737,760</u>
			<u>\$ 6,395,181</u>
<u>Financial liabilities</u>			
Monetary items			
USD	15,649	27.680 (USD:NTD)	<u>\$ 433,164</u>

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 63,736	28.480 (USD:NTD)	\$ 1,815,201
RMB	96,728	4.377 (RMB:NTD)	<u>423,378</u>
			<u>\$ 2,238,579</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	149,393	28.480 (USD:NTD)	\$ 3,930,554
HKD	450,598	3.673 (HKD:NTD)	<u>1,464,458</u>
			<u>\$ 5,395,012</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,529	28.480 (USD:NTD)	<u>\$ 214,426</u>

For the years ended December 31, 2021 and 2020, (realized and unrealized) net foreign exchange losses were \$85,978 thousand and \$68,727 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8 (attached)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 5 (attached)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 5 (attached)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2 (attached)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1 (attached)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

TABLE 1

CHROMA ATE INC.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
0	The Corporation	Chroma Systems Solutions, Inc.	Other receivables	Y	\$ 103,151	\$ 100,106	\$ 100,106	3.25%	1	\$ 546,995	-	\$ -	-	\$ -	\$ 1,851,391 (Note 1)	\$ 3,702,782 (Note 2)
		Chroma Japan Corp.	Other receivables	Y	127,905	110,540	24,949	1.30%	1	258,255	-	-	-	-	1,851,391 (Note 1)	3,702,782 (Note 2)

- Note 1: Based on 10% of the net value of the Corporation.
- Note 2: Based on 20% of the net value of the Corporation.
- Note 3: The amounts listed in the table were translated into the New Taiwan dollars at the exchange rate of US\$1=NT\$27.680 and JPY1 = NT\$0.241 as of December 31, 2021.
- Note 4: Financing provided:
- a. For transactions.
 - b. For short-term financing.

TABLE 2**CHROMA ATE INC.****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Chroma Japan Corp.	Subsidiary	\$ 2,777,087	\$ 48,200	\$ 48,200	\$ 36,150	\$ -	0.26%	\$ 5,554,173	Y	-	-
		Chroma ATE Europe B.V.	Subsidiary	2,777,087	46,980	46,980	15,660	-	0.25%	5,554,173	Y	-	-
		Chroma ATE Inc.	Subsidiary	2,777,087	221,440	221,440	138,400	-	1.20%	5,554,173	Y	-	-
		Sajet System Technology (Suzhou) Co., Ltd.	Subsidiary	2,777,087	21,720	21,720	-	-	0.12%	5,554,173	Y	-	Y
		Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary	2,777,087	43,440	43,440	-	-	0.23%	5,554,173	Y	-	Y
		Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	2,777,087	338,832	338,832	77,321	-	1.83%	5,554,173	Y	-	Y
		Mas Automation Corp.	Subsidiary	2,777,087	300,000	300,000	201,000	-	1.62%	5,554,173	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\$27.680, JPY1=NT\$0.241, RMB1=NT\$4.344, EUR1=NT\$31.320, as of December 31, 2021.

TABLE 3

CHROMA ATE INC.

MARKETABLE SECURITIES HELD

(EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES)

DECEMBER 31, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	<u>Fund</u> WI Harper INC Fund VII LP	-	Financial assets at fair value through profit or loss - non-current	-	\$ 4,793	-	\$ 4,793	-
	<u>Stocks</u> DynaColor, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	6,050	214,181	6.1	214,181	-
	Chunghwa Telecom Co., Ltd.	-	"	412	48,043	-	48,043	-
	China Communications Media Group Co., Ltd.	-	"	10	192	0.1	192	-
	Tian Zheng International Precision Machinery Co., Ltd.	-	"	2,681	248,764	7.3	248,764	-
	Twoway Catv Service Inc.	-	"	3,561	49,599	4.4	49,599	-
	Taiwan Advanced Nanotech Inc.	-	"	2,673	368,692	11.5	368,692	-
	WK Technology Fund IX Ltd.	-	"	4,614	59,668	4.6	59,668	-
	WK Technology Fund IV Ltd.	-	"	202	300	1.9	300	-
	WK Technology Fund VI Ltd.	-	"	361	285	1.4	285	-
	TFBS Bioscience Inc.	-	"	4,330	76,295	14.3	76,295	-
Chroma New Material Corp.	<u>Fund</u> Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	16,335	207,095	-	207,095	-
Chroma Systems Solutions Inc.	<u>Fund</u> Franklin California Tax Free Income FD Inc.	-	"	426	91,534	-	91,534	-
Chroma Investment Co., Ltd.	<u>Fund</u> Hua Nan Kirin Money Market Fund	-	"	3,597	43,482	-	43,482	-
	<u>Stocks</u> Greatek Electronics Inc.	-	"	85	6,643	-	6,643	-
	Hephas Energy Corporation	-	"	1,042	53,224	6.8	53,224	-
	Chroma ATE Inc.	The Corporation	Financial assets at fair value through other comprehensive income - non-current	1,806	361,115	0.4	361,115	-
	Taiwan Advanced Nanotech Inc.	-	"	607	83,794	2.6	83,794	-
	Cosmactive Broadband Networks Co., Ltd.	-	"	4	-	0.6	-	-
	Global Mixed-mode Technology Inc.	-	"	111	-	5.1	-	-

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Chen Hwa Technology Inc.	<u>Stocks</u> Hangzhou New Material Chroma Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 17,079	19.0	\$ 17,079	-
Innovative Nanotech Incorporated	<u>Fund</u> Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,605	83,740	-	83,740	-
EVT Technology Co., Ltd.	<u>Fund</u> Mega Diamond Money Market Fund	-	"	1,517	19,231	-	19,231	-

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

(Concluded)

TABLE 4

CHROMA ATE INC.

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

Note: The Corporation recognized gain arising from transfer of right of \$154,510 thousand in accordance with the sale and leaseback transaction.

TABLE 5

CHROMA ATE INC.

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Newworld Electronics Limited	Subsidiary	(Sale)	\$ (2,438,399)	(24)	Net 365 days after monthly closing	-	-	\$ 415,016	16	-
Newworld Electronics Limited	The Corporation	Parent company	Purchase	2,438,399	100	Net 90 days after delivery	-	-	(415,016)	(100)	-
The Corporation	Chroma ATE Inc.	Subsidiary	(Sale)	(1,226,840)	(12)	Net 365 days after monthly closing	-	-	310,748	12	-
Chroma ATE Inc.	The Corporation	Parent company	Purchase	1,226,840	100	Net 180 days after delivery	-	-	(310,748)	(100)	-
The Corporation	Chroma Electronics (Shanghai) Co., Ltd.	Subsidiary	(Sale)	(650,408)	(6)	Net 365 days after monthly closing	-	-	26,068	1	-
Chroma Electronics (Shanghai) Co., Ltd.	The Corporation	Parent company	Purchase	650,408	100	Net 120 days after delivery	-	-	(26,068)	(100)	-
The Corporation	Chroma Systems Solutions, Inc.	Subsidiary	(Sale)	(546,995)	(5)	Net 90 days after delivery	-	-	126,323	5	-
Chroma Systems Solutions, Inc.	The Corporation	Parent company	Purchase	546,995	100	Net 90 days after delivery	-	-	(126,323)	(100)	-
The Corporation	Chroma Electronics (Shenzhen) Co., Ltd.	Subsidiary	(Sale)	(438,598)	(4)	Net 365 days after monthly closing	-	-	109,542	4	-
Chroma Electronics (Shenzhen) Co., Ltd.	The Corporation	Parent company	Purchase	438,598	100	Net 90 days after monthly closing	-	-	(109,542)	(100)	-
The Corporation	Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	(Sale)	(412,428)	(4)	Net 365 days after monthly closing	-	-	206,239	8	-
Chroma ATE (Suzhou) Co., Ltd.	The Corporation	Parent company	Purchase	412,428	100	Net 120 days after delivery	-	-	(206,239)	(100)	-
The Corporation	Chroma ATE Europe B.V.	Subsidiary	(Sale)	(326,489)	(3)	Net 365 days after monthly closing	-	-	72,438	3	-
Chroma ATE Europe B.V.	The Corporation	Parent company	Purchase	326,489	100	Net 90 days after delivery	-	-	(72,438)	(100)	-
The Corporation	Chroma Japan Corp.	Subsidiary	(Sale)	(258,255)	(3)	Net 365 days after monthly closing	-	-	344,895	13	-
Chroma Japan Corp.	The Corporation	Parent company	Purchase	258,255	100	Net 90 days after delivery	-	-	(344,895)	(100)	-
The Corporation	Quantel Private Ltd.	Subsidiary	(Sale)	(244,962)	(2)	Net 90 days after delivery	-	-	30,409	1	-
Quantel Private Ltd.	The Corporation	Parent company	Purchase	244,962	100	Net 90 days after delivery	-	-	(30,409)	(100)	-

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co., Ltd	Subsidiary	(Sale)	\$ (1,081,194)	(41)	Net 90 days after declaration	-	-	\$ 231,464	34	-
Chroma Electronics (Shenzhen) Co., Ltd	Newworld Electronics Limited	Parent company	Purchase	1,081,194	66	Net 90 days after declaration	-	-	(231,464)	(68)	-
Chroma ATE Europe B.V.	Chroma Germany GmbH	Subsidiary	(Sale)	(127,121)	(26)	Net 90 days after declaration	-	-	43,050	36	-
Chroma Germany GmbH	Chroma ATE Europe B.V.	Parent company	Purchase	127,121	80	Net 90 days after declaration	-	-	(43,050)	(99)	-
Newworld Electronics Limited	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	(Sale)	(241,286)	(9)	Net 90 days after declaration	-	-	126,989	18	-
Chroma ATE (Suzhou) Co., Ltd.	Newworld Electronics Limited	Same parent company	Purchase	241,286	18	Net 90 days after declaration	-	-	(126,989)	(21)	-
Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	(Sale)	(160,890)	(40)	Net 90 days after declaration	-	-	21,881	21	-
Chroma ATE (Suzhou) Co., Ltd.	Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Same parent company	Purchase	160,890	12	Net 90 days after declaration	-	-	(21,881)	(4)	-

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

(Concluded)

TABLE 6

CHROMA ATE INC.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
The Corporation	Newworld Electronics Limited	Subsidiary	Trade receivables \$ 415,016	5.14	\$ -	-	\$ 296,195	\$ -
	Chroma Japan Corp.	Subsidiary	Trade receivables 344,895	0.93	-	-	-	-
	Chroma ATE Inc.	Subsidiary	Trade receivables 310,748	2.80	-	-	163,584	-
	Chroma ATE (Suzhou) Co., Ltd.	Subsidiary	Trade receivables 206,239	2.19	-	-	18,842	-
	Chroma Systems Solutions, Inc.	Subsidiary	Trade receivables 126,323	4.68	-	-	83,370	-
	Chroma Electronics (Shenzhen) Co, Ltd.	Subsidiary	Trade receivables 109,542	3.52	-	-	64,521	-
	Chroma Systems Solutions, Inc.	Subsidiary	Other receivables - financing provided 100,106	-	-	-	607	-
	Mas Automatiom Corp.	Subsidiary	Dividends receivable 295,000	-	-	-	-	-
Newworld Electronics Limited	Chroma Electronics (Shenzhen) Co, Ltd.	Subsidiary	Trade receivables 231,464	5.73	-	-	209,442	-
	Chroma ATE (Suzhou) Co., Ltd.	Same parent company	Trade receivables 126,989	1.49	-	-	20,675	-

Note: As of February 23, 2022.

TABLE 7

CHROMA ATE INC.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2021	December 31, 2020	Shares (Thousands)	Percentage of Ownership	Carrying Amount			
The Corporation	Newworld Electronics Limited	Hong Kong	Sale and maintenance of electronic test instruments, etc.	\$ 271,873	\$ 271,873	64,012,815	100.0	\$ 1,457,155	\$ 197,341	\$ 197,343	Subsidiary
	Chroma New Material Corporation	Taoyuan, Taiwan	Sale and processing of gold wire	480,715	480,715	25,000,000	100.0	452,823	43,498	43,500	Subsidiary
	Mas Automation Corp.	Hsinchu, Taiwan	Design, manufacturing, installment and testing of automated factory conveyor systems	533,000	533,000	10,000,000	100.0	54,437	(215,979)	(215,830)	Subsidiary
	Chroma ATE Inc.	USA	Sale and maintenance of electronic test instruments, etc.	29,895	29,895	1,000,000	100.0	240,654	105,486	105,465	Subsidiary
	Chroma Systems Solutions, Inc.	USA	Sale and maintenance of electronic test instruments, etc.	29,628	29,628	120,000	25.0	28,328	265,558	66,389	Subsidiary
	Chroma ATE Europe B.V.	The Netherlands	Sale and maintenance of electronic test instruments, etc.	54,026	54,026	1,000	100.0	121,610	707	724	Subsidiary
	Chroma Japan Corp.	Japan	Sale and maintenance of electronic test instruments, etc.	201,750	201,750	9,975	100.0	(137,987)	(28,024)	(28,023)	Subsidiary
	CHI Incorporation Ltd.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	122,884	122,884	3,830,000	100.0	240,238	41,607	41,607	Subsidiary
	Chen Hwa Technology Inc.	British Virgin Islands	Test of inductance, capacitance and resistance, and sale of parts	98,217	98,217	3,085,000	100.0	120,885	6,590	6,590	Subsidiary
	San Eagle Development Corp.	British Virgin Islands	Investment	186,514	186,514	2,050,000	100.0	903,070	69,610	69,345	Subsidiary
	Sensational Holdings Ltd.	British Virgin Islands	Investment	38,301	38,301	1,200,000	100.0	49,035	(307)	(307)	Subsidiary
	Deep Red Holding Co., Ltd.	Mauritius	Investment	12,217	12,217	215,000	100.0	161,366	20,927	20,927	Subsidiary
	Testar Electronics Corporation	Taoyuan, Taiwan	Testing of LED	247,096	247,096	20,159,600	67.2	117,453	133,023	89,413	Subsidiary
	Adivic Technology Co., Ltd.	Taoyuan, Taiwan	Sale and research of RF device	273,800	273,800	12,590,000	74.1	60,382	1,794	(13,860)	Subsidiary
	Chroma Investment Co., Ltd.	Taoyuan, Taiwan	Investment	80,000	80,000	14,000,000	100.0	224,435	22,626	22,626	Subsidiary
	Quantel Private Ltd.	Singapore	Sale and maintenance of test instruments, etc.	112,328	112,328	1,914,000	60.0	206,174	80,051	47,751	Subsidiary
	EVT Technology Co., Ltd.	Taoyuan, Taiwan	Manufacturing of motorcycles and its parts	117,311	117,311	9,412,412	85.6	31,423	(10,707)	(9,152)	Subsidiary
	Innovative Nanotech Incorporated	Hsinchu, Taiwan	Monitoring instruments of nanoparticles	142,140	142,140	14,214,000	67.2	162,380	25,502	17,154	Subsidiary
	Touch Cloud Inc.	Taipei, Taiwan	Development of cloud platform and Internet of Things systems	110,457	57,000	11,045,667	83.1	57,768	(16,911)	(13,680)	Subsidiary
	Adlink Technology Inc.	Taoyuan, Taiwan	Manufacturing, processing and retailing of software/hardware of computers and peripherals	162,311	162,709	24,432,253	11.2	284,189	123,715	16,359	Associate
	DynaScan Technology Corp.	Taoyuan, Taiwan	Research and manufacture of LED generators	238,746	238,746	9,841,112	27.3	152,662	77,424	21,137	Associate
	Camtek Ltd.	Israel	Automatic optical inspection equipment	2,342,340	2,342,340	7,817,440	17.8	2,674,510	1,688,298	267,521	Associate
	Chih Ho Shun Development Co., Ltd.	Taoyuan, Taiwan	Construction and development of residence, buildings and specialized field; construction and investment of public works	17,500	17,500	1,750,000	35.0	16,003	(1,787)	(888)	Joint venture
Chroma ATE Inc.	Chroma Systems Solutions, Inc.	USA	Sale and maintenance of electronic test instruments, etc.	64	64	240,000	50.0	286,417	265,558	NA	Subsidiary
Chroma ATE Europe B.V.	Chroma Germany GmbH	Germany	Sale and maintenance of electronic test instruments, etc.	1,073	1,073	30,000	100.0	1,611	1,559	NA	Subsidiary
San Eagle Development Corp.	Wei Kuang Mech. Eng. Inc.	Mauritius	Investment	185,686	185,686	4,475,000	100.0	979,516	69,743	NA	Subsidiary
Adivic Technology Co., Ltd.	Adivic Holding Corporation	Samoa	Sale and research of RF device	42,245	42,245	1,000,000	100.0	9,005	(31)	NA	Subsidiary
Quantel Private Ltd.	Quantel Technologies India Private Ltd.	India	Sale and maintenance of test instruments, etc.	3,056	3,056	64,999	100.0	5,621	892	NA	Subsidiary
	Quantel Global Vietnam Co., Ltd.	Vietnam	Sale and maintenance of test instruments, etc.	6,219	6,219	-	100.0	13,693	5,093	NA	Subsidiary
	Quantel Global Sdn. Bhd.	Malaysia	Sale and maintenance of test instruments, etc.	4,199	4,199	600,000	100.0	16,330	7,319	NA	Subsidiary
	Quantel Global Philippines Corporation	Philippines	Sale and maintenance of test instruments, etc.	610	610	99,095	100.0	6,994	3,052	NA	Subsidiary
	Quantel Global Company Limited	Thailand	Sale and maintenance of test instruments, etc.	675	-	29,997	99.9	85	(568)	NA	Subsidiary
Chroma Investment Co., Ltd.	Testar Electronics Corporation	Taoyuan, Taiwan	Testing of LED	11,250	11,250	4,500,000	15.0	31,620	133,023	NA	Subsidiary

Note: For amounts that were translated from foreign currencies, the amount of the original investment was translated into New Taiwan dollars at the historical exchange rate, while the amount of net income (loss) of the investee and investment gain (loss) were translated into New Taiwan dollars at the average exchange rate for the year ended December 31, 2021. Other amounts were translated into New Taiwan dollars at the spot exchange rate on December 31, 2021.

TABLE 8

CHROMA ATE INC.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 3)	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Notes 4 and 5)	Carrying Amount as of December 31, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outward	Inward						
Chroma Electronics (Shenzhen) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	\$ 106,470 (HK\$ 30,000)	b Subsidiary of Newworld Electronics Limited	\$ 132,178 (HK\$ 1,200 US\$ 3,853)	\$ -	\$ -	\$ 132,178 (HK\$ 1,200 US\$ 3,853)	\$ 108,981	100	\$ 108,981	\$ 1,078,664	\$ 91,226 (RMB 21,156)
Chroma Electronics (Shanghai) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	83,040 (US\$ 3,000)	b Subsidiary of Newworld Electronics Limited	101,993 (US\$ 3,000)	-	-	101,993 (US\$ 3,000)	95,798	100	95,798	319,603	-
Chroma (Shanghai) Trading Co., Ltd.	International and transit trading, commercial simple processing and commercial consulting service and etc.	74,736 (US\$ 2,700)	b Subsidiary of Chen Hwa Technology Inc.	84,988 (US\$ 2,700)	-	-	84,988 (US\$ 2,700)	(347)	100	(347)	79,739	-
Hangzhou New Material Chroma Co., Ltd.	Production and sale of semiconductor connecting materials	41,520 (US\$ 1,500)	b Subsidiary of Chen Hwa Technology Inc.	9,091 (US\$ 285)	-	-	9,091 (US\$ 285)	88,401	19	-	17,079	12,065 (US\$ 368)
Chroma ATE (Suzhou) Co., Ltd.	Sale of computerized automatic test systems, peripherals and electronic test instruments	105,184 (US\$ 3,800)	b Subsidiary of CHI Incorporation Ltd	121,115 (US\$ 3,800)	-	-	121,115 (US\$ 3,800)	41,607	100	41,607	321,459	-
Wei Kuang Automatic Equipment (Nanjing) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	51,568 (RMB 11,871)	b Subsidiary of Wei Kuang Mech Eng Inc.	43,751 (US\$ 1,338)	-	-	43,751 (US\$ 1,338)	43,473	100	43,473	251,294	-
Wei Kuang Automatic Equipment (Xiamen) Co., Ltd.	Sale and maintenance of electronic equipment and factory conveyor systems	49,595 (RMB 11,417)	b Subsidiary of Wei Kuang Mech Eng Inc.	49,935 (US\$ 1,500)	-	-	49,935 (US\$ 1,500)	19,162	100	19,162	523,463	-
Mou Kuan Technologies (Nanjing) Co., Ltd.	Assembly, sale and maintenance of factory conveyors and related systems and renders related after-sales services	7,546 (RMB 1,737)	b Subsidiary of Wei Kuang Mech Eng Inc.	92,000 (US\$ 2,836)	-	-	92,000 (US\$ 2,836)	565	100	565	19,289	47,504 (US\$ 1,552)
Sajet System Technology (Suzhou) Co., Ltd.	Research, development and design of computer network security systems and information management	36,377 (RMB 8,374)	b Subsidiary of Deep Red Holding Co., Ltd.	(Note 9)	-	-	(Note 9)	22,622	100	22,622	147,068	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$635,051 (HK\$1,200, US\$19,312)	\$725,060 (HK\$1,400, US\$22,076) (Note 6)	\$11,108,346 (Note 7)

(Continued)

Note 1: Methods of investment have following types:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through an existing company in a third region.
- c. Other

Note 2: The amounts of paid-in capital and carrying value as of balance sheet date were translated into the New Taiwan dollar at the rates of HK\$1=NT\$3.549, US\$1=NT\$27.680, RMB1=NT\$4.344 prevailing on December 31, 2021.

Note 3: The amounts of accumulated outflow of investment from Taiwan as of January 1, 2021 and December 31, 2021 were translated into the New Taiwan dollar on the original outflow day.

Note 4: Based on audited financial statements.

Note 5: Investment income (loss) was translated into the New Taiwan dollar at the average rate of HK\$1=NT\$3.603, US\$1=NT\$28.009, RMB1=NT\$4.341 for the year ended December 31, 2021.

Note 6:

	Approval Letter	Approved Amount	
a.	Letter (1998) II-87710585 of Investment Commission of MOEA	NT\$ 5,852	(HK\$ 1,400)
b.	Letter (2000) II-89014726 and 89037430 of Investment Commission of MOEA	NT\$ 63,180	(US\$ 2,000)
c.	Letter (2001) II-89037430 of Investment Commission of MOEA	NT\$ 33,160	(US\$ 1,000)
d.	Letter II-91048640 of Investment Commission of MOEA	NT\$ 63,984	(US\$ 1,853) (Note 8)
e.	Letter II-90025170 of Investment Commission of MOEA	NT\$ 60,240	(US\$ 1,750)
f.	Letter II-092020235 of Investment Commission of MOEA	NT\$ 19,230	(US\$ 560)
g.	Letter II-092043358 of Investment Commission of MOEA	NT\$ 6,748	(US\$ 200)
h.	Letter II-093004076 of Investment Commission of MOEA	NT\$ 3,158	(US\$ 95)
i.	Letter II-094006092 of Investment Commission of MOEA	NT\$ 6,896	(US\$ 219)
j.	Letter II-09500052120 of Investment Commission of MOEA	NT\$ 81,528	(US\$ 2,500)
k.	Letter II-09600175700 of Investment Commission of MOEA	NT\$ 120,000	(US\$ 3,699)
l.	Letter II-096000006020 of Investment Commission of MOEA	NT\$ 66,580	(US\$ 2,000)
m.	Letter II-09600310110 of Investment Commission of MOEA	NT\$ 33,160	(US\$ 1,000)
n.	Letter II-09700186010 of Investment Commission of MOEA	NT\$ 46,110	(US\$ 1,500)
o.	Letter II-09700403210 of Investment Commission of MOEA	NT\$ 7,096	(US\$ 210) (Note 9)
p.	Letter II-10400042770 of Investment Commission of MOEA	NT\$ 78,240	(US\$ 2,500)
q.	Letter II-10600164500 of Investment Commission of MOEA	NT\$ 29,898	(US\$ 990)

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

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

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

(Concluded)