

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION (FORMERLY CHI MEI
MATERIALS TECHNOLOGY
CORPORATION)
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS'
REPORT
DECEMBER 31, 2020 AND 2019**

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION (FORMERLY CHI
MEI MATERIALS TECHNOLOGY CORPORATION)
DECEMBER 31, 2020 AND 2019 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REPORT
TABLE OF CONTENTS

Contents	Page
1. Cover Page	1
2. Table of Contents	2 ~ 3
3. Independent Auditors' Report	4 ~ 7
4. Parent Company Only Balance Sheets	8 ~ 9
5. Parent Company Only Statements of Comprehensive Income	10
6. Parent Company Only Statements of Changes in Equity	11
7. Parent Company Only Statements of Cash Flows	12 ~ 13
8. Notes to the Parent Company Only Financial Statements	14 ~ 62
(1) HISTORY AND ORGANISATION	14
(2) THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION	14
(3) APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS	14 ~ 15
(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	16 ~ 24

Contents	Page
(5) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY	25 ~ 26
(6) DETAILS OF SIGNIFICANT ACCOUNTS	26 ~ 45
(7) RELATED PARTY TRANSACTIONS	46 ~ 50
(8) PLEDGED ASSETS	50
(9) SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS	51
(10) SIGNIFICANT DISASTER LOSS	51
(11) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	51
(12) OTHERS	52 ~ 61
(13) SUPPLEMENTARY DISCLOSURES	61 ~ 62
(14) SEGMENT INFORMATION	62
9. Statements of Major Accounting Items	63 ~ 80

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000396

To Cheng Mei Materials Technology Corporation

Opinion

We have audited the accompanying balance sheets of Cheng Mei Materials Technology Corporation (formerly Chi Mei Materials Technology Corporation) as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards 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 Company in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 judgement, were of most significance in our audit of the Company’s 2020 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s 2020 financial statements are stated as follows:

Impairment assessment of property, plant and equipment

Description

In terms of property, plant and equipment, refer to Note 4(14) for the relevant accounting policies, Note 5(2) for uncertainty of accounting estimates and assumptions and Note 6(8) for account details.

Due to the recurring losses in recent years, the management assesses that there is an indication that the above assets are impaired and measures the recoverable amounts based on estimated future cash flows discounted at an appropriate discount rate. Given that the estimation of future cash flows rely on multiple assumptions that may affect the recoverable amounts, we consider impairment assessment as the key audit matter.

How our audit addressed the matter

Our audit procedures in respect of the above key audit matter included:

1. Obtained an understanding and assessed the estimation of future cash flows and checked whether the forecasting revenue in the following year used in the valuation model is consistent with the budget approved by the Board of Directors.
2. Obtained the source information referenced to determine the recoverable amounts, examined the management's intention and capability to perform the business plans and compared business performance during certain period after the balance sheet date based on the management's projection on expected income and expenses.
3. Verified that the discount rate uses reasonable parameters such as risk-free rate for cost of equity capital, industry risk coefficient, returns of similar assets and equity-to-capital ratio.
4. Checked the formula in the valuation model.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company'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 generally accepted auditing standards 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 Company'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 Company'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 Company 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement 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 of the current period 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.

Liu, Zi-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	6,193	-	\$	6,367	-
1110	Current financial assets at fair value through profit or loss	6(2)		1,062	-		571	-
1136	Current financial assets at amortised cost	6(4) and 8		214,630	2		67,061	1
1170	Accounts receivable, net	6(5)		1,636,087	12		335,924	2
1180	Accounts receivable - related parties	6(5) and 7		459,744	3		1,612,267	12
1200	Other receivables			54,567	-		51,422	-
1210	Other receivables - related parties	7		54,041	-		1,022,869	8
1220	Current tax assets	6(24)		198	-		658	-
130X	Inventories	5 and 6(6)		2,022,796	15		1,759,982	13
1410	Prepayments			220,070	2		57,872	-
1470	Other current assets			2,735	-		9,289	-
11XX	Total current Assets			4,672,123	34		4,924,282	36
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	5 and 6(3)		127,111	1		147,643	1
1550	Investments accounted for under equity method	6(7)		5,038,768	37		4,446,641	33
1600	Property, plant and equipment	5, 6(8) and 8		3,628,623	26		3,854,530	29
1755	Right-of-use assets			143	-		198	-
1780	Intangible assets	6(9)		7,153	-		8,273	-
1840	Deferred tax assets	6(24)		89,720	1		76,381	1
1900	Other non-current assets	7		90,593	1		50,396	-
15XX	Total non-current assets			8,982,111	66		8,584,062	64
1XXX	Total assets		\$	13,654,234	100	\$	13,508,344	100

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(10) and 8	\$	1,742,783	13	\$	1,894,647	14		
2130	Current contract liabilities	6(17) and 7		20,237	-		18,249	-		
2170	Accounts payable			1,304,273	10		1,069,698	8		
2180	Accounts payable - related parties	7		27,252	-		46,101	-		
2200	Other payables	6(11)		321,477	2		314,072	2		
2220	Other payables - related parties	7		27,056	-		3,578	-		
2280	Current lease liabilities			55	-		55	-		
2320	Current portion of long-term bank loans	6(12) and 8		228,912	2		200,000	2		
2399	Other current liabilities, others			6,402	-		7,468	-		
21XX	Total current Liabilities			3,678,447	27		3,553,868	26		
Non-current liabilities										
2540	Long-term borrowings	6(12) and 8		318,028	3		-	-		
2570	Deferred tax liabilities	6(24)		36,013	-		22,674	-		
2580	Non-current lease liabilities			90	-		145	-		
2645	Guarantee deposits			40	-		40	-		
2650	Credit balance of investments accounted for using equity method	6(7)		-	-		272,855	2		
25XX	Total non-current liabilities			354,171	3		295,714	2		
2XXX	Total Liabilities			4,032,618	30		3,849,582	28		
Equity										
Share capital										
3110	Common stock	6(14)		6,657,285	49		6,657,285	49		
Capital surplus										
3200	Capital surplus	6(15)		938,942	7		944,026	7		
Retained earnings										
3310	Legal reserve	6(16)		1,085,124	8		1,085,124	8		
3320	Special reserve			676,861	5		447,530	3		
3350	Unappropriated retained earnings			886,772	6		1,201,658	9		
Other equity interest										
3400	Other equity interest		(	623,368)	(	5)	(	676,861)	(	4)
3XXX	Total equity			9,621,616	70		9,658,762	72		
Significant contingent liabilities and unrecognized contract commitments										
Significant events after the balance sheet date										
3X2X	Total liabilities and equity		\$	13,654,234	100	\$	13,508,344	100		

The accompanying notes are an integral part of these parent company only financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Net sales	6(17) and 7		\$ 8,757,795	100	\$ 8,071,052	100
5000 Costs of sales	6(6)(9)(22)(23) and 7		(8,746,536)	(100)	(8,316,864)	(103)
5900 Gross profit (loss)			11,259	-	245,812	(3)
Operating expenses	6(9)(22)(23), 7 and 12					
6100 Selling and marketing expenses		(	96,705)	(1)	(82,241)	(1)
6200 General and administrative expenses		(	176,984)	(2)	(184,620)	(2)
6300 Research and development expenses		(	168,830)	(2)	(199,631)	(3)
6450 Impairment gain and reversal of impairment loss determined in accordance with IFRS 9			-	-	41	-
6000 Total operating expenses		(	442,519)	(5)	(466,451)	(6)
6900 Loss from operations		(	431,260)	(5)	(712,263)	(9)
Non-operating income and expenses						
7100 Interest income	6(18)		1,608	-	967	-
7010 Other income	6(19) and 7		87,068	1	93,556	1
7020 Other gains and losses	6(2)(20) and 12	(	46,014)	(1)	(39,332)	-
7050 Finance costs	6(21)	(	45,212)	-	(39,271)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)		348,255	4	9,971	-
7000 Total non-operating income and expenses			345,705	4	25,891	1
7900 Loss before income tax		(	85,555)	(1)	(686,372)	(8)
7950 Income tax expense	6(24)		-	-	(2,187)	-
8200 Loss for the year		(	\$ 85,555)	(1)	(\$ 688,559)	(8)
Other comprehensive income (loss)						
Items that may not be reclassified subsequently to profit or loss						
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(	\$ 20,532)	-	(\$ 41,024)	(1)
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(	8,359)	-	(17,891)	-
Items that may be reclassified subsequently to profit or loss						
8361 Exchange differences on translating of foreign financial statements			82,384	1	(170,366)	(2)
8300 Total other comprehensive loss		\$	53,493	1	(\$ 229,281)	(3)
8500 Total comprehensive loss for the year		(	\$ 32,062)	-	(\$ 917,840)	(11)
Loss per share	6(25)					
9750 Basic loss per share		(	\$ 0.13)	(	\$ 1.03)	
9850 Diluted loss per share		(	\$ 0.13)	(	\$ 1.03)	

The accompanying notes are an integral part of these parent company only financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other equity interest		
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income	Total
Year ended December 31, 2019									
Balance at January 1, 2019		\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ 10,484,265
Net loss for the year		-	-	-	-	(688,559)	-	-	(688,559)
Other comprehensive loss for the year	6(3)	-	-	-	-	-	(170,366)	(58,915)	(229,281)
Total comprehensive loss for the year		-	-	-	-	(688,559)	(170,366)	(58,915)	(917,840)
Appropriations and distribution of 2018 earnings:									
Special reserve	6(16)	-	-	-	201,306	(201,306)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	50	-	(50)	-
Changes in ownership interests in subsidiaries	6(15)	-	92,337	-	-	-	-	-	92,337
Balance at December 31, 2019		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762
Year ended December 31, 2020									
Balance at January 1, 2020		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762
Net loss for the year		-	-	-	-	(85,555)	-	-	(85,555)
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	-	82,384	(28,891)	53,493
Total comprehensive income (loss) for the year		-	-	-	-	(85,555)	82,384	(28,891)	(32,062)
Appropriations and distribution of 2019 earnings:									
Special reserve	6(16)	-	-	-	229,331	(229,331)	-	-	-
Changes in ownership interests in subsidiaries	6(15)	-	(5,084)	-	-	-	-	-	(5,084)
Balance at December 31, 2020		\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ 9,621,616

The accompanying notes are an integral part of these parent company only financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31,	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 85,555)	(\$ 686,372)
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(20)	16,481	44,853
Expected credit gain	12	-	(41)
Gain on disposal of investments	6(7)(20)	(10,916)	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)		
Depreciation expense	6(8)(22)	(348,255)	(9,971)
Loss on disposal of property, plant and equipment	6(20)	323,605	381,271
Amortization expense	6(9)(22)	-	237
Interest income	6(18)	6,872	13,985
Interest expense	6(21)	(1,608)	(967)
Changes in operating assets and liabilities		45,212	39,271
Changes in operating assets			
Current financial assets at fair value through profit or loss		29,813	13,293
Accounts receivable		(1,300,163)	(711,911)
Accounts receivable - related parties		1,152,523	(60,182)
Other receivables		(3,145)	(37,975)
Other receivables - related parties		(1,839)	(87,836)
Inventories		(262,814)	(605,855)
Prepayments		(162,198)	(27,727)
Other current assets		6,554	3,760
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss		(46,785)	(58,717)
Current contract liabilities		1,988	(3,677)
Accounts payable		234,575	(564,924)
Accounts payable - related parties		(18,849)	12,076
Other payables		948	(40,471)
Other payables - related parties		(3,578)	3,578
Other current liabilities - other		(1,066)	(7,319)
Cash (outflow) inflow generated from operations		(424,522)	243,911
Interest received		1,608	967
Interest paid		(45,004)	(40,391)
Income tax paid		(153)	(1,762)
Income tax refund		613	-
Net cash flows (used in) from operating activities		(467,458)	202,725

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31,	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in current financial assets at amortised cost		(\$ 147,569)	(\$ 65,061)
Decrease (increase) in accounts receivable financing - related parties		614,119	(508,050)
Acquisition of investments accounted for using equity method		(84,000)	-
Proceeds from capital reduction of investments accounted for using equity method	6(26)	-	988,130
Acquisition of property, plant and equipment	6(26)	(60,862)	(65,779)
Proceeds from disposal of property, plant and equipment	6(26)	-	52,132
Acquisition of intangible assets	6(9)	(5,752)	(8,523)
Increase in equipment prepayments		(70,729)	(36,795)
Decrease in refundable deposits		-	23
Net cash flows from investing activities		<u>245,207</u>	<u>356,077</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of short-term borrowings	6(27)	(2,851,137)	(5,484,671)
Proceeds from short-term borrowings	6(27)	2,699,273	4,539,866
Increase in accounts payable financing - related parties	6(27)	27,056	-
Payments of lease liabilities	6(27)	(55)	(53)
Proceeds from long-term borrowings	6(27)	346,940	-
Decrease in guarantee deposits received	6(27)	-	(5)
Net cash flows from (used in) financing activities		<u>222,077</u>	<u>(944,863)</u>
Net decrease in cash and cash equivalents		(174)	(386,061)
Cash and cash equivalents at beginning of year	6(1)	<u>6,367</u>	<u>392,428</u>
Cash and cash equivalents at end of year	6(1)	\$ 6,193	\$ 6,367

The accompanying notes are an integral part of these parent company only financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. HISTORY AND ORGANISATION

- (1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company is primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).
- (2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depositary shares.
- (3) The shareholder at shareholders’ meeting approved the change of name of the Company from Chi Mei Materials Technology Corporation to Cheng Mei Materials Technology Corporation on June 22, 2018.

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

These financial statements was authorised for issuance by to the Board of Directors on March 12, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

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

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gain and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements(lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in shareholdings in subsidiaries do not result to a loss on control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.

- E. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value, that fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture, and recognises the difference between fair value and book value in the profit or loss for the period. The accounting treatment on the previously recognized amount related to the subsidiary in other comprehensive income is the same as the basis if the Company directly disposes related assets or liabilities, which means if the Company has recognized gain or loss in other comprehensive income, the Company should reclassify the gain or loss on disposal of related assets or liabilities to profit or loss; and when the Company loses control in the subsidiary, the gain or loss should be reclassified from equity to profit or loss.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	25 years
Machinery and equipment	4 ~ 8 years
Office equipment	5 years
Factory equipment	8 years
Other equipment	3 ~ 5 years

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.
- B. Licenses and franchises are amortised on a straight-line basis over their estimated useful lives of 5 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss.

They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to performance obligations, and recognizes revenue when performance obligations are satisfied. Revenue from the sale of goods comes from the sale of polarizing film. Sales of polarizing film are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped (according to the terms of trade), because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently. The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

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

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the good or service before it is provided to a customer include the following:

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer; and
- C. The Company has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$2,022,796.

B. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2020, the carrying amount of unlisted stocks without active market was \$127,111.

C. Impairment of property, plant and equipment

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

As of December 31, 2020, the Company recognised property, plant and equipment, net of impairment loss amounting to \$3,628,623.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 332	\$ 182
Checking accounts and demand deposits	<u>5,861</u>	<u>6,185</u>
	<u>\$ 6,193</u>	<u>\$ 6,367</u>

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

B. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

(2) Financial instruments at fair value through profit or loss

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 1,062</u>	<u>\$ 571</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	Year ended December 31, 2020	Year ended December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 30,304	\$ 13,864
Financial liabilities held for trading		
Derivatives	(46,785)	(58,717)
	(\$ 16,481)	(\$ 44,853)

B. The Company entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2020		December 31, 2019	
Derivative	Contract Amount	Contract	Contract Amount	Contract
Financial Assets	(notional principal)	Period	(notional principal)	Period
Current items:				
Forward foreign exchange contracts	JPY 206,720 thousand	2020.12~2021.1	JPY 109,340 thousand	2019.12~2020.1
Forward foreign exchange contracts	JPY 103,520 thousand	2020.12~2021.1	JPY 218,600 thousand	2019.12~2020.1
Forward foreign exchange contracts	JPY 207,040 thousand	2020.12~2021.1	-	-
Forward foreign exchange contracts	JPY 206,940 thousand	2020.12~2021.1	-	-
Forward foreign exchange contracts	JPY 186,696 thousand	2020.12~2021.1	-	-

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss are provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Non current items:		
Equity instruments		
Unlisted stocks	\$ 250,000	\$ 250,000
Valuation adjustment	(122,889)	(102,357)
	\$ 127,111	\$ 147,643

A. The Company has elected to classify unlisted stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$127,111 and \$147,643 as at December 31, 2020 and 2019, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2020	Year ended December 31, 2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 20,532)	(\$ 41,024)

C. The Company has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Escrow demand deposits	\$ 208,630	\$ 60,061
Pledged deposit	6,000	7,000
	<u>\$ 214,630</u>	<u>\$ 67,061</u>

A. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$214,630 and \$67,061, respectively.

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

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

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 1,636,087	\$ 337,511
Accounts receivable - related parties	459,744	1,612,267
Less: Allowance for uncollectible accounts	-	(1,587)
	<u>\$ 2,095,831</u>	<u>\$ 1,948,191</u>

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2020	December 31, 2019
Not past due	\$ 1,981,829	\$ 1,925,544
Up to 30 days	25,888	12,807
31 to 60 days	57,940	2,475
61 to 90 days	29,177	8,663
Over 91 days	997	289
	<u>\$ 2,095,831</u>	<u>\$ 1,949,778</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of accounts receivable from contracts with customers amounted to \$2,095,831, \$1,949,778, and \$2,601,507, respectively.

C. The Company does not hold any collateral as guarantee for accounts receivable.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$2,095,831 and \$1,948,191, respectively.

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

(6) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,162,067	(\$ 58,300)	\$ 1,103,767
Work in progress	519,708	(30,706)	489,002
Finished goods	478,125	(48,098)	430,027
	<u>\$ 2,159,900</u>	<u>(\$ 137,104)</u>	<u>\$ 2,022,796</u>
December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,114,114	(\$ 157,430)	\$ 956,684
Work in progress	530,374	(79,546)	450,828
Finished goods	532,547	(180,077)	352,470
	<u>\$ 2,177,035</u>	<u>(\$ 417,053)</u>	<u>\$ 1,759,982</u>

The cost of inventories recognized as expense for the years ended December 31, 2020 and 2019, was \$8,746,536 and \$8,316,864, respectively, including the amounts of \$279,949 and \$54,740, respectively, that the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(7) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Cheng Mei Materials Technology (SAMOA) Corp. (Formerly Chi Mei Materials Technology (SAMOA) Corp.)	\$ 1,023,722	\$ 795,498
CM Visual Technology Corporation (Formerly Chi Mei Visual Technology Corporation)	-	13,337
Chi Mei Materials Technology Investment Co., Ltd.	3,881,286	3,637,806
Cheng Hui Trading Co., Ltd. (Formerly Mao Fong Trading Co., Ltd.)	48,798	(149,198)
Cheng Hui Investment Co., Ltd. (Formerly Mao Yu Investment Co., Ltd.)	18,847	(123,657)
Associates:		
CM Visual Technology Corporation	66,115	-
Add: Transferred to credit balance of investments accounted for using equity method	-	272,855
	<u>\$ 5,038,768</u>	<u>\$ 4,446,641</u>

1. Refer to Note 4(3) in the consolidated financial statements for the details of the subsidiaries.
2. The share of profit of subsidiaries, associates and joint ventures accounted for using equity method for the years ended December 31, 2020 and 2019 were \$348,255 and \$9,971, respectively.
3. In October 2019 and December 2019, the reinvested company of Chi Mei Material Technology Investment Co., Ltd. (collectively referred to herein as the “CMMTI”), Hengmei Optoelectronic Co., Ltd. (formerly Kushan Chimei Material Technology Co., Ltd., collectively referred to herein as the “HMO”), increased its capital in cash. CMMTI waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased to 38.4%. CMMTI is the single largest shareholder of HMO. Given that two other large shareholders (non-related parties) hold more shares than CMMTI and HMO reelected its directors, which indicated that CMMTI has no current ability to direct the relevant activities of HMO, CMMTI lost its control over HMO and generated gains from disposal of investment amounting to \$140,450 (shown as “share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method”). However, CMMTI still has significant influence over KSCMMT.
4. In July 2020, CMVT increased its capital in cash, the Company subscribed to all the shares, therefore, the shareholding ratio of the Company was increased from 68.33% to 96.04%. In October 2020, CMVT increased its capital in cash, the Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company was decreased to 22.96%. Then, CMVT reelected its directors and the Company lost its control over CMVT, generated gains from disposal of investment amounting to \$10,916 (shown as “other gains and losses”). However, the Company still has significant influence over CMVT.

(8) Property, plant and equipment

2020

							Construction in progress and equipments under acceptance	
	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment		Total
<u>At January 1,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,622,719	\$ 46,376	\$ 3,579,306	\$ 126,102	\$ -	\$ 13,097,673
Accumulated depreciation and impairment	-	(1,405,876)	(4,334,638)	(35,805)	(3,350,801)	(116,023)	-	(9,243,143)
	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ -</u>	<u>\$ 3,854,530</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,888,751	\$ 288,081	\$ 10,571	\$ 228,505	\$ 10,079	\$ -	\$ 3,854,530
Additions	-	-	29,526	2,616	28,442	6,527	-	67,111
Reclassifications	-	-	2,880	-	1,827	720	25,105	30,532
Depreciation charge	-	(129,838)	(124,057)	(4,107)	(60,320)	(5,228)	-	(323,550)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>
<u>At December 31,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,655,026	\$ 48,979	\$ 3,597,731	\$ 133,336	\$ 25,105	\$ 13,183,347
Accumulated depreciation and impairment	-	(1,535,714)	(4,458,596)	(39,899)	(3,399,277)	(121,238)	-	(9,554,724)
	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Total
<u>At January 1,</u>							
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,558,332	\$ 41,368	\$ 3,554,477	\$ 125,916	\$ 13,003,263
Accumulated depreciation and impairment	-	(1,276,038)	(4,199,945)	(30,926)	(3,248,630)	(111,428)	(8,866,967)
	<u>\$ 1,428,543</u>	<u>\$ 2,018,589</u>	<u>\$ 358,387</u>	<u>\$ 10,442</u>	<u>\$ 305,847</u>	<u>\$ 14,488</u>	<u>\$ 4,136,296</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 2,018,589	\$ 358,387	\$ 10,442	\$ 305,847	\$ 14,488	\$ 4,136,296
Additions	-	-	26,694	5,073	20,924	3,846	56,537
Disposals	-	-	(108)	-	-	(147)	(255)
Reclassifications	-	-	37,840	-	4,900	428	43,168
Depreciation charge	-	(129,838)	(134,732)	(4,944)	(103,166)	(8,536)	(381,216)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ 3,854,530</u>
<u>At December 31,</u>							
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,622,719	\$ 46,376	\$ 3,579,306	\$ 126,102	\$ 13,097,673
Accumulated depreciation and impairment	-	(1,405,876)	(4,334,638)	(35,805)	(3,350,801)	(116,023)	(9,243,143)
	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ 3,854,530</u>

A. For the years ended December 31, 2020 and 2019, there was no borrowing costs capitalised as part of property, plant and equipment.

B. The above property, plant and equipment were used for the operations of the Company and were not available for lease.

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

(9) Intangible assets

	2020		
	<u>Computer Software</u>		
<u>At January 1,</u>			
Cost	\$		80,001
Accumulated amortisation and impairment	(		71,728)
	\$		<u>8,273</u>
At January 1	\$		8,273
Additions-acquired separately			5,752
Amortisation charge	(		6,872)
At December 31	\$		<u>7,153</u>
<u>At December 31,</u>			
Cost	\$		85,753
Accumulated amortisation and impairment	(		78,600)
	\$		<u>7,153</u>
	2019		
	<u>Computer Software</u>	<u>Licenses and Franchises</u>	<u>Total</u>
<u>At January 1,</u>			
Cost	\$ 71,478	\$ 9,200	\$ 80,678
Accumulated amortisation and impairment	(58,663)	(8,280)	(66,943)
	<u>\$ 12,815</u>	<u>\$ 920</u>	<u>\$ 13,735</u>
At January 1	\$ 12,815	\$ 920	\$ 13,735
Additions-acquired separately	8,523	-	8,523
Amortisation charge	(13,065)	(920)	(13,985)
At December 31	<u>\$ 8,273</u>	<u>\$ -</u>	<u>\$ 8,273</u>
<u>At December 31,</u>			
Cost	\$ 80,001	\$ 9,200	\$ 89,201
Accumulated amortisation and impairment	(71,728)	(9,200)	(80,928)
	<u>\$ 8,273</u>	<u>\$ -</u>	<u>\$ 8,273</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of sales	\$ 547	\$ 3,024
General and administrative expenses	6,325	10,041
Research and development expenses	-	920
	<u>\$ 6,872</u>	<u>\$ 13,985</u>

(10) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 684,486	0.60% ~ 3.68%	-
Bank secured borrowings	953,445	0.85% ~ 2.57%	Land, buildings and structures
Other short-term borrowings	104,852	3.85% ~ 4.75%	Machinery equipment, office equipment, factory equipment, miscellaneous equipment
	<u>\$ 1,742,783</u>		

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 1,529,038	0.63% ~ 4.02%	-
Bank secured borrowings	319,775	0.82% ~ 2.67%	Land, buildings and structures
Other short-term borrowings	45,834	4.11%	Machinery equipment, factory equipment
	<u>\$ 1,894,647</u>		

A. Information about interest expense recognised in profit or loss is provided in Note 6(21).

B. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on April 11, 2019. The resolutions of the meeting are as follows:

- (a) During the debt negotiation, the bank loans are secured by the Company's chairman, Ho, Jau-Yang, as a joint guarantor.
- (b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.

(c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.

(d) The Company sets up an escrow account and funds are remitted into the account for a centralised management and supervision. (The escrow account is set up in the largest creditor bank)

On July 26, 2019, the resolutions made during the debt negotiation meeting were approved in writing by all the creditor institutions.

C. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on February 21, 2020. The resolutions of the meeting are as follows:

(a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.

(b) Taiwan Cooperative Bank and Changhua Bank will negotiate with the headquarters for increasing facilities (issuing letters of credit and hedge amount) to support the operation cashflow of the Company. Remaining banks will extend the maturity to March 31, 2022 or extend the drawing period of drawn facilities to March 31, 2022.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from two-thirds of total claims of all creditor banks. On April 14, 2020, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that two-thirds of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2021).

D. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on December 30, 2020. The resolutions of the meeting are as follows:

(a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.

(b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.

(c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. As of March 12, 2021, the written approval of each creditor bank has not been obtained.

E. In November 2019, March 2020, September 2020 and December 2020, the Company was financed by IBT Leasing Co., Ltd and Robina Finance & Leasing Corp. through sales with buyback agreements. As of December 31, 2020 and 2019, the Company issued unexpired notes in the amounts of \$109,497 and 47,718 for the aforementioned transaction, respectively.

F. Information about the collateral for short-term borrowings is provided in Note 8.

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for salaries or bonuses	\$ 128,644	\$ 138,100
Payables for annual leave	36,191	36,578
Payables for insurance premiums	16,523	11,699
Payables for purchase of equipment	15,242	8,993
Payables for interest	1,784	1,576
Others	123,093	117,126
	<u>\$ 321,477</u>	<u>\$ 314,072</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2021 because of debt negotiation.	\$ 200,000	\$ 200,000
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	212,260	-
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.	134,680	-
	546,940	200,000
Less: Current portion	(228,912)	(200,000)
	<u>\$ 318,028</u>	<u>\$ -</u>
Interest rate range	<u>2.57%</u>	<u>1.50%</u>

A. Information on interest expense recognised in profit or loss is provided in Note 6(21).

B. Due to the difficulty of repayment, the Company started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to 6(10) for details.

C. Information about the collateral for long-term borrowings is provided in Note 8.

(13) Pensions

A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$35,951 and \$35,583, respectively.

(14) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares and the paid-in capital was \$6,657,285 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Units: in thousand shares)	
	2020	2019
At January 1 (and December 31)	<u>665,729</u>	<u>665,729</u>

B. GDRS

(a) On December 20, 2016, the Company's Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of December 31, 2020, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

i. Voting rights

Unless otherwise specified by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Deposit Agreement (the "Deposit Agreement") entered into by the Company, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

ii. Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement.

iii. Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on their distributions as the holders of common shares of the Company. If the Company distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

(15) Capital surplus

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

2020				
	Difference between		Changes in ownership	Total
	Share	amount of subsidiaries		
	premium	acquired or disposed	interests in subsidiaries	
At January 1	\$ 803,494	\$ 6,776	\$ 133,756	\$ 944,026
Changes in ownership interests in subsidiaries	-	-	(5,084)	(5,084)
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 938,942</u>
2019				
	Difference between		Changes in ownership	Total
	Share	amount of subsidiaries		
	premium	acquired or disposed	interests in subsidiaries	
At January 1	\$ 803,494	\$ 6,776	\$ 41,419	\$ 851,689
Changes in ownership interests in subsidiaries	-	-	92,337	92,337
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 133,756</u>	<u>\$ 944,026</u>

(16) Retained earnings

A. Under the Company's Articles of Incorporation, surplus should be used to pay tax, offset the aggregated loss, and 10% surplus in mandatory reserve. However, 10 % mandatory reserve may not to be executed as the reserve reaches to the amount of registered capital of the company; the Board of Directors is authorized to assign dividend and bonus wholly or partially in cash and report to shareholders' meeting if mandatory reserve, tax and levies have been paid out.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. Special reserve

In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. On April 30, 2020 and June 28, 2019, the shareholders resolved not to appropriate dividends, and provisioned special reserve amounting to \$229,331 and \$201,306, respectively.

E. On March 12, 2021, the Board of Directors of the Company proposed not to appropriate dividends and reversed special reserves amounting to \$53,493.

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from contracts with customers, divided into the following major geographical regions:

	Year ended December 31, 2020	Year ended December 31, 2019
Taiwan	\$ 3,222,479	\$ 2,942,788
Mainland China	4,181,925	4,598,979
Other Asian area	1,353,391	529,285
	<u>\$ 8,757,795</u>	<u>\$ 8,071,052</u>

B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
– sale of goods	<u>\$ 20,237</u>	<u>\$ 18,249</u>	<u>\$ 21,926</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 18,194</u>	<u>\$ 21,870</u>

(18) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	\$ 1,608	\$ 686
Other interest income	-	281
	<u>\$ 1,608</u>	<u>\$ 967</u>

(19) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Rental income	\$ 4,175	\$ 4,468
Royalty income	54,579	60,357
Disgorgement income	-	11,033
Patent income	19,800	-
Others	8,514	17,698
	<u>\$ 87,068</u>	<u>\$ 93,556</u>

(20) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Losses on disposals of property, plant and equipment	\$ -	(\$ 237)
Foreign exchange gains	(39,973)	5,769
Net losses on financial assets or liabilities at fair value through profit or loss	(16,481)	(44,853)
Gains on disposals of investments	10,916	-
Others	(476)	(11)
	<u>(\$ 46,014)</u>	<u>(\$ 39,332)</u>

(21) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense - bank borrowings	\$ 45,209	\$ 39,268
Interest expense - lease liabilities	3	3
	<u>\$ 45,212</u>	<u>\$ 39,271</u>

(22) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 921,750	\$ 868,339
Depreciation charges on property, plant and equipment	323,550	381,216
Depreciation charges on right-of-use assets	55	55
Amortisation charges on intangible assets	6,872	13,985

(23) Employee benefit expense

	Year ended December 31, 2020	Year ended December 31, 2019
Pension costs	\$ 35,951	\$ 35,583
Short-term employee benefits	888,107	832,756
	<u>\$ 924,058</u>	<u>\$ 868,339</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. The Company incurred losses for the years ended December 31, 2020 and 2019; thus, neither employees' compensation nor remuneration of directors were estimated.

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

(24) Income tax

A. Income tax expense

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	-	2,187
Total current tax	<u>-</u>	<u>2,187</u>
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ -</u>	<u>\$ 2,187</u>

B. Reconciliation between income tax expense and accounting loss:

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on loss before tax and statutory tax rate	(\$ 17,111)	(\$ 137,274)
Expenses disallowed by tax regulation	9,682	26,981
Temporary differences not recognised as deferred tax assets	(85,445)	-
	- (33,783)	
Taxable loss not recognised as deferred tax assets	92,874	144,076
Prior year income tax underestimation	-	2,187
Income tax expense	<u>\$ -</u>	<u>\$ 2,187</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2020		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
-Temporary differences:			
Allowance for obsolescence and decline in market value of inventories	\$ 68,731	(\$ 45,786)	\$ 22,945
Unrealised gain on financial assets	59	(59)	-
Deferred revenue	4,160	(4,160)	-
Unrealized exchange gain	108	4,023	4,131
Provision	2,074	(2,074)	-
Others	1,249	6,148	7,397
-Tax losses	-	55,247	55,247
	<u>76,381</u>	<u>13,339</u>	<u>89,720</u>
Deferred tax liabilities:			
-Temporary differences:			
Gain on foreign investment accounted for under equity method	(6,768)	(20,075)	(26,843)
Unrealised gain on financial assets	-	(212)	(212)
Others	(15,906)	6,948	(8,958)
	<u>(22,674)</u>	<u>(13,339)</u>	<u>(36,013)</u>
	<u>\$ 53,707</u>	<u>\$ -</u>	<u>\$ 53,707</u>

2019			
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
-Temporary differences:			
Allowance for obsolescence and decline			
in market value of inventories	\$ 68,731	\$ -	\$ 68,731
Unrealised gain on financial assets	59	-	59
Deferred revenue	4,160	-	4,160
Unrealized exchange gain	108	-	108
Provision	2,074	-	2,074
Others	1,249	-	1,249
	<u>76,381</u>	<u>-</u>	<u>76,381</u>
Deferred tax liabilities:			
-Temporary differences:			
Gain on foreign investment accounted for			
under equity method	(6,768)	-	(6,768)
Others	(15,906)	-	(15,906)
	<u>(22,674)</u>	<u>-</u>	<u>(22,674)</u>
	<u>\$ 53,707</u>	<u>\$ -</u>	<u>\$ 53,707</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026
2017	Amount assessed	572,292	572,292	572,292	2027
2018	Amount assessed	147,871	147,871	147,871	2028
2019	Amount filed	837,226	837,226	837,226	2029
2020	Expected amount filed	792,168	792,168	515,931	2030
December 31, 2019					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026
2017	Amount assessed	572,292	572,292	572,292	2027
2018	Amount filed	147,871	147,871	147,871	2028
2019	Expected amount filed	720,380	720,380	720,380	2029

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ -</u>	<u>\$ 427,223</u>

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

(25) Loss per share

	<u>Year ended December 31, 2020</u>		
	Weighted average number of ordinary shares outstanding		Loss per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company	<u>(\$ 85,555)</u>	<u>665,729</u>	<u>(\$ 0.13)</u>
	<u>Year ended December 31, 2019</u>		
	Weighted average number of ordinary shares outstanding		Loss per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company	<u>(\$ 688,559)</u>	<u>665,729</u>	<u>(\$ 1.03)</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchase of property, plant and equipment	\$ 67,111	\$ 56,537
Add: Opening balance of payable on equipment	8,993	18,235
Less: Ending balance of payable on equipment	(15,242)	(8,993)
Cash paid during year ended December 31	<u>\$ 60,862</u>	<u>\$ 65,779</u>

B. Investing activities with partial cash received

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Disposal of property, plant and equipment	\$ -	\$ 18
Add: Opening balance of other receivables on related parties	-	52,114
Cash received during year ended December 31	<u>\$ -</u>	<u>\$ 52,132</u>

	Year ended December 31, 2020	Year ended December 31, 2019
Capital reduction of investments		
accounted for using equity method	\$ -	\$ 1,341,000
Add: Opening balance of other receivables on related parties	352,870	-
Less: Ending balance of other receivables on related parties	-	0
Addition of investment accounted for using equity method by debt for equity swap	(352,870)	(352,870)
Proceed from capital reduction of investments accounted for using equity method	<u>\$ -</u>	<u>\$ 988,130</u>

C. Investing activities with no cash flow effects

	Year ended December 31, 2020	Year ended December 31, 2019
(1) Amount written off due to uncollectible accounts	<u>\$ 1,587</u>	<u>\$ -</u>
(2) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 30,532</u>	<u>\$ 43,168</u>

(27) Changes in liabilities from financing activities

	At January 1, 2020	Changes in cash flow from financing activities	At December 31, 2020
Short-term borrowings	\$ 1,894,647	(\$ 151,864)	\$ 1,742,783
Other payables-related parties	-	27,056	27,056
Lease liabilities	200	(55)	145
Long-term borrowings	200,000	346,940	546,940
Guarantee deposits received	<u>40</u>	<u>-</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 2,094,887</u>	<u>\$ 222,077</u>	<u>\$ 2,316,964</u>

	At January 1, 2019	Changes in cash flow from financing activities	At December 31, 2019
Short-term borrowings	\$ 2,839,452	(\$ 944,805)	\$ 1,894,647
Lease liabilities	253	(53)	200
Long-term borrowings	200,000	-	200,000
Guarantee deposits received	<u>45</u>	<u>(5)</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 3,039,750</u>	<u>(\$ 944,863)</u>	<u>\$ 2,094,887</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Subsidiaries
Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Subsidiaries
Cheng Hui Investment Co., Ltd. ("CHI")	Subsidiaries
(Formerly Mao Yu Investment Co., Ltd ("MYI"))	
Cheng Hui Trading Co., Ltd. ("CHT")	Subsidiaries
(Formerly Mao Fong Trading Co., Ltd ("MFT"))	
Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Subsidiaries
Mao Fong Group Co., Ltd.	Subsidiaries
Kunshan Shin Mao Fong International Trading Co., Ltd.	Subsidiaries (Note 1)
Innolux Corporation ("Innolux")	Persons as director of the Company (Note 2)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliates (Note 3)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliates (Note 3)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliates (Note 3)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliates (Note 3)
CM Visual Technology Corporation ("CMVT")	Associate (Note 4)
Hengmei Optoelectronics Co., Ltd. ("HMO")	Associate (Note 5)
(Formerly Kunshan Chi Mei Materials Technology Co., Ltd.)	

Note 1: The cancellation of registration was completed on October 30, 2020.

Note 2: It had served as the legal persons as director of the Company from April 26, 2019.

Note 3: It is the subsidiary owned by Innolux.

Note 4: In October 2020, CMVT increased its capital in cash. The Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company was decreased from 96.04% to 22.96%. Then, CMVT reelected its directors and the Company lost its control over CMVT. However, the Company still has significant influence over CMVT, thus CMVT is considered an associate of the Company.

Note 5: On October 15, 2019, the former shareholder, Zhejiang Renyuan Import & Export Co., Ltd, increased its investment in HMO in the amount of USD 28.5 million, the shareholding ratio of CMMTI was decreased from 49.5% to 45.15%. On December 17, 2019, Hefei Northtown Optoelectronic Industry Fund No. 2 (LLP) increased its investment in HMO in the amount of \$57 million, causing CMMTI's shareholding ratio to decrease to 38.4%. In addition, HMO's directors have been reelected on December 24, 2019. As a result, CMMTI lost its control over HMO. However, CMMTI still has significant influence over HMO, thus HMO is considered an associate of the Company.

(2) Significant related party transactions

A. Operating revenue

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Sales of goods:		
NBCMMT	\$ 2,885,511	\$ 2,793,829
Innolux	904,143	1,704,889
Affiliates	327,541	688,609
Subsidiaries	60,110	788,672
Associates	<u>23,645</u>	<u>-</u>
	<u>\$ 4,200,950</u>	<u>\$ 5,975,999</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd., were written off when preparing the parent company only financial statements. For the years ended December 31, 2020 and 2019, the write-offs amounted to \$92,439 and \$112,437, respectively.

(b) The selling price and collection terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

B. Purchases

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Purchases of goods:		
Subsidiaries	\$ 45,700	\$ 39,841
Associates	940	-
Affiliates	<u>-</u>	<u>92,069</u>
	<u>\$ 46,640</u>	<u>\$ 131,910</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd., through an offshore entity were written off when preparing the parent company only financial statements. Please refer to Note 7(2) A. for details.

(b) The purchases price and payment terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

C. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
NBCMMT	\$ 415,399	\$ 464,737
Innolux	-	668,132
Foshan Innolux	-	387,872
Associates	44,345	52,995
Subsidiaries	-	34,487
Affiliates	-	4,044
	<u>\$ 459,744</u>	<u>\$ 1,612,267</u>
Other receivables (excluding loans):		
HMO	\$ 51,820	\$ 54,554
MFT (Note)	-	206,000
MYI (Note)	-	146,870
Associates	2,221	-
Subsidiaries	-	1,326
	<u>\$ 54,041</u>	<u>\$ 408,750</u>

Note: Receivables for reduction of investments accounted for using equity method.

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiaries	\$ 25,682	\$ 46,101
Associates	1,570	-
	<u>\$ 27,252</u>	<u>\$ 46,101</u>
Other payables (excluding loans):		
Subsidiaries	<u>\$ -</u>	<u>\$ 3,578</u>

E. Prepayment for equipment (categorized as “other non-current assets”)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 8,263</u>

F. Current contract liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
HMO	<u>\$ 13,774</u>	<u>\$ 13,928</u>

G. Other revenue

	Year ended December 31, 2020	Year ended December 31, 2019
HMO (Note 1)	\$ 54,579	\$ 60,357
CMVT (Note 2)	30,494	8,341
	<u>\$ 85,073</u>	<u>\$ 68,698</u>

Note 1: Mainly for royalty income.

Note 2: Mainly for rental income, patent income and others.

H. Operating expenses

	Year ended December 31, 2020	Year ended December 31, 2019
Subsidiaries	\$ 7,493	\$ 13,597
Associates	4,595	-
	<u>\$ 12,088</u>	<u>\$ 13,597</u>

I. Loans to / from related parties

(a) Loans to related parties (categorized as “other receivables - related parties”)

	December 31, 2020	December 31, 2019
Ending balance		
CMVT	\$ -	\$ 85,000
HMO	-	529,119
	<u>\$ -</u>	<u>\$ 614,119</u>

i. On May 7, 2020 and November 11, 2019, the Board of Directors of the Company resolved to provide a loan to CMVT in the amounts of \$84,000 and \$85,000, respectively. The loan period was 6 months at an interest rate of 2.50%.

ii. On May 7, 2020 and November 11, 2019, the Board of Directors resolved to reclassify the accounts receivable of KSCMMT that exceeded a certain period from loans to others to other receivables. The loan period was 6 months.

(b) Loans from related parties (categorized as “other payables - related parties”)

	December 31, 2020	December 31, 2019
Ending balance		
Mao Fong Group Co., Ltd.	\$ 27,056	\$ -

The terms of borrowing from subsidiaries are repaying the principal and interest at once after 1 year, and the interest rate was 2.97%.

J. Endorsements and guarantees provided by the Company to the related parties:

	December 31, 2020		December 31, 2019	
	Outstanding endorsements/ guarantee amount	Actual amount drawn down	Outstanding endorsements/ guarantee amount	Actual amount drawn down
KSCMMT	\$ 3,502,344	\$ 2,364,136	\$ 3,444,732	\$ 2,342,259

(3) Key management compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	\$ 29,706	\$ 28,014
Post-employment benefits	384	420
	<u>\$ 30,090</u>	<u>\$ 28,434</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Demand deposit (Note)	\$ 208,630	\$ 60,061	An escrow account for debt negotiation procedures
Pledged deposits (Note)	6,000	7,000	Provided as collateral for the letters of credit for purchase of raw materials
Property, plant and equipment - land	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,758,913	1,888,751	Long-term and short-term loan
Property, plant and equipment - Machinery and equipment	116,616	132,525	Short-term loan
Property, plant and equipment - Factory equipment	80,808	23,435	Short-term loan
Property, plant and equipment - Office equipment	4,619	-	Short-term loan
Property, plant and equipment - Miscellaneous equipment	1,790	-	Short-term loan
	<u>\$ 3,605,919</u>	<u>\$ 3,540,315</u>	

Note: It is categorized as "financial assets at amortized cost".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Company as of December 31, 2020 and 2019 were as follows:

- (1) As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousands)	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
JPY	\$ 2,276,309	\$ 1,926,574
USD	539	-
TWD	-	-

- (2) As of December 31, 2020 and 2019, the amounts of guarantees provided by financial institutions for the purpose of importing goods were \$6,000 and \$7,000, respectively.
- (3) As of December 31, 2020 and 2019, the unpaid amounts of the construction contracts that the Company entered into for the expansion of factories and machinery equipment were \$61,636 and \$32,224, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) On January 29, 2021, the Company's Board of Directors resolved to terminate the resolution adopted by the stockholders at their annual stockholders' meeting on April 30, 2020 in relation to the issuance of its common shares through public or private offering, the issuance of new shares to participate in overseas depository receipts, or the issuance of overseas or domestic convertible corporate bonds, which includes secured or unsecured convertible corporate bonds.
- (2) On December 28, 2020, HMO's Board of Directors resolved to increase its capital in cash and the capital verification was completed on February 4, 2021. CMMTI waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased to 28.10%.
- (3) On March 12, 2021, the Company's Board of Directors resolved to issue Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. The Company expects to issue 20,000 thousand shares.

12. OTHERS

(1) Capital management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The key management personnel of the Company reviews the capital structure on a periodic basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	<u>\$ 4,032,618</u>	<u>\$ 3,849,582</u>
Total assets	<u>\$ 13,654,234</u>	<u>\$ 13,508,344</u>
Gearing ratio	<u>30%</u>	<u>28%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 1,062</u>	<u>\$ 571</u>
Financial assets at fair value through other comprehensive		
Designation of equity instruments	<u>\$ 127,111</u>	<u>\$ 147,643</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 6,193	\$ 6,367
Financial assets at amortised cost	214,630	67,061
Accounts receivable	2,095,831	1,948,191
Other receivables	108,608	1,074,291
Refundable deposits	<u>50</u>	<u>50</u>
	<u>\$ 2,425,312</u>	<u>\$ 3,095,960</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,742,783	\$ 1,894,647
Accounts payable	1,331,525	1,115,799
Other payables	348,533	317,650
Long-term borrowings (including current portion)	546,940	200,000
Guarantee deposits received	<u>40</u>	<u>40</u>
	<u>\$ 3,969,821</u>	<u>\$ 3,528,136</u>
Lease liabilities	<u>\$ 145</u>	<u>\$ 200</u>

B. Financial risk management policies

- (a) The Company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
- (c) The Company Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.
- (d) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Company manages its foreign currency risk and interest rate risk by using derivative financial instrument, including foreign exchange forward contracts to hedge the risk arising from US dollar-denominated assets generated by sales and Japanese yen-denominated liabilities generated by the importation of raw materials from Japan.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,549	28.48	\$ 2,265,556
JPY:NTD	12,186	0.276	3,363
RMB:NTD	10,273	4.377	44,965
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,130	28.48	146,102
JPY:NTD	6,238,870	0.276	1,721,928
December 31, 2019			
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,259	29.98	\$ 1,956,465
JPY:NTD	70,747	0.276	19,526
RMB:NTD	135,100	4.305	581,606
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,052	29.98	181,439
JPY:NTD	6,300,168	0.276	1,738,846

- v. Total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to (\$39,973) and \$5,769, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 11,328	-
JPY:NTD	0.5%	17	-
RMB:NTD	0.5%	225	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	731	-
JPY:NTD	0.5%	8,610	-
Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 9,782	-
JPY:NTD	0.5%	98	-
RMB:NTD	0.5%	2,908	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	907	-
JPY:NTD	0.5%	8,694	-

Price risk

A. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

B. The Company invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, would have increased/decreased by \$1,271 and \$1,476, respectively.

Interest rate risk

The Company's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$21,849 and \$20,488, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Company's concentration of credit risk, was related to the Company's five largest customers. The average credit period of sales of goods was 60 to 120 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Company's major customers is obtained from other publicly available financial information or the Company's own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.
- iv. The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Company's customer base. The Company's credit risk of other receivables is assessed individually.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

- vi. The loss allowance of trade receivables based on the Company's provision matrix is as follows:

On December 31, 2020, the Company estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.00%, past due up to 30 days were 0.00%, past due 31 to 90 days were 0.00%~0.00%, past due 91 to 180 days were 0.00%~0.02%, past due 181 to 270 days were 0.14%~1.65%, past due 271 to 360 days were 4.07%~29.71%, and past due over 360 days were 100%. As of December 31, 2019, the Company estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.02%, past due up to 30 days were 0.02%, past due 31 to 90 days were 0.02%~0.04%, past due 91 to 180 days were 0.06%~0.11%, past due 181 to 270 days were 0.02%~0.96%, past due 271 to 360 days were 4.35%~25.04%, and past due over 360 days were 100%. As of December 31, 2020 and 2019, the total amount of the Company's accounts receivable which past due over 31 days were 4% and 1%, respectively.

- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2020	2019
January 1	\$ 1,587	\$ 1,628
Reversal of impairment loss	-	(41)
Amount written off due to uncollectible accounts	(1,587)	-
December 31	<u>\$ -</u>	<u>\$ 1,587</u>

- viii. For the years ended December 31, 2020 and 2019, the impairment gain from reversal of accounts receivable arising from customer contracts was \$0 and \$41, respectively.

(c) Liquidity risk

- i. The Company Treasury function manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Company.

- ii. Company treasury invests surplus cash in interest bearing current accounts, check deposit, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2020 and 2019, the Company held money market position of \$5,861 and \$6,185, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company relies on bank loans as a significant source of liquidity, the Company had available unutilized short-term bank loan facilities as below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank overdraft facility		
Amount unused	\$ 7,386	\$ 16,188
Secured bank overdraft facility		
Amount unused	<u>237,930</u>	<u>243,014</u>
	<u>\$ 245,316</u>	<u>\$ 259,202</u>

iv. Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are 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 are based on the agreed repayment dates.

December 31, 2020

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 1,779,984	\$ -	\$ -
Accounts payable	1,331,525	-	-
Other payables	348,533	-	-
Long-term borrowings	234,561	333,353	-
(including current portion)			
Lease liabilities	57	91	-

December 31, 2019

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 1,903,193	\$ -	\$ -
Accounts payable	1,115,799	-	-
Other payables	317,650	-	-
Long-term borrowings	203,000	-	-
(including current portion)			
Lease liabilities	57	148	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

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

(a) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,062	\$ -	\$ 1,062
Financial assets at FVOCI				
Equity securities	-	-	127,111	127,111
	<u>\$ -</u>	<u>\$ 1,062</u>	<u>\$ 127,111</u>	<u>\$ 128,173</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 571	\$ -	\$ 571
Financial assets at FVOCI				
Equity securities	-	-	147,643	147,643
	<u>\$ -</u>	<u>\$ 571</u>	<u>\$ 147,643</u>	<u>\$ 148,214</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

ii. The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

(a) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Listed shares
Derivatives-foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.

D. For the years ended December 31, 2020 and 2019, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3 in the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020 Equity instrument	Year ended December 31, 2019 Equity instrument
At January 1	\$ 147,643	\$ 188,667
Losses recognised in other comprehensive income	(20,532)	(41,024)
At December 31	<u>\$ 127,111</u>	<u>\$ 147,643</u>

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 127,111	Market comparable companies	Multiple price-book ratio	0.59~1.86	The higher the price-book ratio, the higher the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 147,643	Market comparable companies	Multiple price- book ratio	0.70~2.46	The higher the price- book ratio, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020 Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price - book ratio	±1%	\$ 1,078	(\$ 1,078)
		December 31, 2019 Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price - book ratio	±1%	\$ 1,504	(\$ 1,666)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and revolving funds		\$ 332
Cash in banks	Checking Account	279
	NTD demand deposit	612
	Foreign currency demand deposits	4,970
	(USD 143 thousand, exchange rate 28.48;	
	RMB 5 thousand, exchange rate 4.377;	
	JPY 3,171 thousand, exchange rate 0.276)	
		<u>\$ 6,193</u>

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Innolux Corporation	Sales revenue	\$ 566,133	
DongGuan Topfly New Materials Technology Co., Ltd.	Sales revenue	437,260	
Sakai Display Products Corporation	Sales revenue	392,069	
Foshan Innolux Optoelectronics Ltd.	Sales revenue	179,637	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	<u>60,988</u>	
		<u>\$ 1,636,087</u>	
Related parties			
NBCMMT	Sales revenue	\$ 415,399	
CMVT	Sales revenue	43,339	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	<u>1,006</u>	
		<u>\$ 459,744</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$ 1,162,067	\$ 1,129,560	Measured by lower of cost and net realizable value
Work in process	519,708	489,002	
Finished goods	478,125	430,046	
	2,159,900	<u>\$ 2,048,608</u>	
Less: Allowance of valuation loss	(137,104)		
	<u>\$ 2,022,796</u>		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020

											Expressed in thousands of NTD			
		Balance, January 1, 2020		Additions in Investment (Note 2)		Decrease in Investment (Note 2)		Balance, December 31, 2020			Market Value or Net Assets Value			
		Shares		Shares		Shares		Shares			Unit Price			
Name	(In thousand)	Amounts	(In thousand)	Amounts	(In thousand)	Amounts	(In thousand)	%	Amounts	(NT\$)	Total Amount	Collateral	Note	
CMMTS	13,300	\$ 795,498	-	\$ 228,224	-	\$ -	13,300	100%	\$ 1,023,722	\$ 76.97	1,023,722	No	Note 1	
CMMTI	146,500	3,637,806	-	243,480	-	-	146,500	100%	3,881,286	26.49	3,881,286	No	Note 1	
CHT	500	(149,198)	20,600	197,996	-	-	21,100	100%	48,798	2.31	48,798	No	Note 1	
CHI	500	(123,657)	14,687	142,504	-	-	15,187	100%	18,847	1.24	18,847	No	Note 1	
CMVT	20,500	13,337	8,400	52,778	22,262	-	6,638	23%	66,115	9.96	66,115	No	Note 1	
		4,173,786		<u>\$ 864,982</u>		<u>\$ -</u>		5,038,768			<u>\$ 5,038,768</u>			
Add: Transferred to credit														
balance of investments														
accounted for using equity														
method		<u>272,855</u>						<u>-</u>						
		\$ 4,446,641						\$ 5,038,768						

Note 1: This is calculated by the invested company's financial statements audited by independent accountant in the same period.

Note 2: Additions (decreases) are increase in investment in subsidiaries, recognizing investment gains (losses), exchange differences on translation of foreign financial statements

and unrealized gains (losses) on fair value through other comprehensive income equity instrument.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF COST OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Balance, January 1, 2020	Addition	Decrease	Transfer	Balance, December 31, 2020	Collateral	Note
Land	\$ 1,428,543	\$ -	\$ -	\$ -	\$ 1,428,543	Yes	
Building and structures	3,294,627	-	-	-	3,294,627	Yes	
Machinery and equipment	4,622,719	29,526	(99)	2,880	4,655,026	Yes	
Office equipment	46,376	2,616	(13)	-	48,979	Yes	
Factory equipment	3,579,306	28,442	(11,844)	1,827	3,597,731	Yes	
Miscellaneous	126,102	6,527	(13)	720	133,336	Yes	
Contruction in progress and equipment under acceptance	-	-	-	25,105	25,105	No	
	<u>\$ 13,097,673</u>	<u>\$ 67,111</u>	<u>(\$ 11,969)</u>	<u>\$ 30,532</u>	<u>\$ 13,183,347</u>		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Balance, January 1,2020	Addition	Decrease	Transfer	Balance, December 1,2020	Note
Building and structures	\$ 1,405,876	\$ 129,838	\$ -	\$ -	\$ 1,535,714	Note
Machinery and equipment	4,334,638	124,057	(99)	-	4,458,596	Note
Office equipment	35,805	4,107	(13)	-	39,899	Note
Factory equipment	3,350,801	60,320	(11,844)	-	3,399,277	Note
Miscellaneous	<u>116,023</u>	<u>5,228</u>	<u>(13)</u>	<u>-</u>	<u>121,238</u>	Note
	<u>\$ 9,243,143</u>	<u>\$ 323,550</u>	<u>(\$ 11,969)</u>	<u>\$ -</u>	<u>\$ 9,554,724</u>	

Note: Information about depreciation method and useful life is provided in Note 4(14).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2020

Expressed in thousands of NTD

Type	Description	Balance, December 31, 2020	Contract Period	Loan Commitments	Collateral	Note
Secured loan	Taiwan Cooperative Bank	\$ 500,000	2018.05.22~2021.03.31	1,500,000	Land, buildings and structures	Note 3
Secured loan	Chang Hwa Commercial Bank	300,000	2019.04.01~2021.03.31	900,000	Land, buildings and structures	Note 3
Financing from sales with buyback agreements	ROBINA FINANCE & LEASING CORP.	67,352	2020.12.07~2021.12.07	67,352	Machinery, factory and office equipment	
Financing from sales with buyback agreements	IBT Leasing Co., LTD.	37,500	2020.09.22~2021.09.22	37,500	Machinery, factory and miscellaneous equipment	
Standby L/C loan	Taiwan Cooperative Bank	153,445	2020.11.10~2021.04.30	1,500,000	Land, buildings and structures	
L/C loan	Mega international Commercial Bank	41,475	2019.02.27~2021.03.31	424,627	No	Note 3
L/C loan	Bank of Taiwan	363,529	2018.12.04~2021.03.31	363,529	No	Note 3
L/C loan	Taiwan Business Bank	142,351	2018.12.06~2021.03.31	142,351	No	Note 3
L/C loan	Hua Nan Commercial Bank	58,573	2019.01.11~2021.03.31	58,573	No	Note 3
L/C loan	Land bank of Taiwan	41,293	2018.12.14~2021.03.31	41,293	No	Note 3
L/C loan	The Shanghai Commercial and Savings Bank	29,879	2019.01.15~2021.03.31	37,265	No	Note 3
OA foreign currency loan	The Shanghai Commercial and Savings Bank	7,386	2019.01.10~2021.03.31	37,265	No	Note 3
		<u>\$ 1,742,783</u>				

Note 1: The interest rate is 0.60%~3.68%.

Note 2: The loan commitments of the same bank is a common quota.

Note 3: The Company started a debt negotiation meeting with Taiwan Cooperative Bank and other financial institutions, The resolutions of the meeting are that the principal repayment is extended for one year (until the end of March 2021).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
DAI NIPPON PRINTING CO., LTD.	Purchase	\$ 361,970	
FUJIFILM CORPORATION	Purchase	175,598	
KURARAY TRADING CO.,LTD.	Purchase	140,147	
MARUBENI PLAX CORPORATION	Purchase	121,012	
KONICA MINOLTA, INC.	Purchase	95,923	
Others (The amount of individual vendor does not exceed 5% of the account balance)	Purchase	409,623	
		<u>\$ 1,304,273</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Creditor</u>	<u>Description</u>	<u>Balance, December 31, 2020</u>	<u>Contract Period</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>Note</u>
Chang Hwa Commercial Bank	Unsecured loan	\$ 200,000	2018.12~2020.12	2.57%	No	Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date (December 17, 2020).
Taiwan Cooperative Bank	Secured loan	212,260	2020.09~2025.09	2.57%	Land, buildings and structures	Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.
Chang Hwa Commercial Bank	Secured loan	134,680	2020.09~2025.09	2.57%	Land, buildings and structures	Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.
		546,940				
Less: Current portion		(228,912)				
		<u>\$ 318,028</u>				

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Please refer to Note 6(17).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)

STATEMENT OF COST OF SALES
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Amount
Raw materials, beginning of year	\$ 1,114,114
Add: Purchase in the period	7,222,771
Transferred from work in process	40,695
Less: Transferred to expenses	(282,613)
Sales of raw materials	(59,204)
Scrapping of raw materials	(2,923)
Raw materials, end of year	(1,162,067)
Consumption of raw materials	6,870,773
Direct Labor	446,812
Manufacturing expenses	1,623,960
Manufacturing cost	8,941,545
Work in process, beginning of year	530,374
Add: Transferred from finished goods	126,485
Less: Transferred to raw materials	(40,695)
Transferred to expenses	(7,159)
Sales of work in process	(1,897)
Work in process, end of year	(519,708)
Cost of finished goods	9,028,945
Finished goods, beginning of year	532,547
Add: Purchase in the period	70,250
Less: Transferred to work in process	(126,485)
Scrapping of finished goods	(9,997)
Transferred to expenses	(4,747)
Finished goods, end of year	(478,125)
Cost of goods manufactured and sold	9,012,388
Other operating cost - sale of raw materials	59,204
Other operating cost - sale of work in process	1,897
Revenue from sale of scraps	(59,924)
Reversal of inventory write-down	(279,949)
Loss on disposal of inventories	12,920
Cost of sales	\$ 8,746,536

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 311,535	
Indirect material		331,457	
Utilities expense		202,447	
Wages and salaries		177,668	
Others (minor amount less than 5%)		<u>600,853</u>	
		<u>\$ 1,623,960</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export expenses		\$ 42,536	
Wages and salaries		27,970	
Freight expenses		5,145	
Insurance expenses		5,289	
Others (minor amount less than 5%)		<u>15,765</u>	
		<u>\$ 96,705</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 85,309	
Service fee		24,627	
Taxes		12,194	
Others (minor amount less than 5%)		<u>54,854</u>	
		<u>\$ 176,984</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Test and research expense		\$ 83,458	
Wages and salaries		47,960	
Utilities expense		8,913	
Others (minor amount less than 5%)		<u>28,499</u>	
		<u>\$ 168,830</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)

STATEMENT OF FINANCE COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Please refer to Note 6(21).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF CURRENT EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES SUMMARIZED BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

Expressed in thousands of NTD

Classification	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefit expenses	\$ 742,897	\$ 181,161	\$ 924,058	\$ 709,955	\$ 158,384	\$ 868,339
Wages and salaries	595,912	147,846	743,758	563,150	122,477	685,627
Labor and health insurance fees	59,221	10,992	70,213	60,757	11,239	71,996
Pension costs	28,568	7,383	35,951	29,455	6,128	35,583
Board compensation	-	6,010	6,010	-	6,685	6,685
Others	59,196	8,930	68,126	56,593	11,855	68,448
Depreciation expenses	311,535	12,070	323,605	365,453	15,818	381,271
Amortization expenses	547	6,325	6,872	3,024	10,961	13,985

Note 1: For the years ended December 31, 2020 and 2019, the average numbers of employees of the Company were 1,102 and 1,134, respectively, there were 4 non-employee directors for both years.

Note 2: (1) The average employee benefit expense in the current year and prior year were \$836 and \$763, respectively.

(2) The average employee wages and salaries in the current year and prior year were \$677 and \$607, respectively.

(3) Changes in adjustments on average wages and salaries was 11.53%.

Note 3: The Company has set up audit committee to replace the supervisor in accordance with the regulations, therefore the supervisor's remuneration has not been recognised.

Note 4: The Company's remuneration policies:

Directors' remuneration is comprised of reward and remuneration. Reward of directors is determined based on the Company's assumption of risk, market standard and operating requirement. Remuneration of directors shall be distributed no higher than 1% based on Article 25 of the Company's Articles of Incorporation. Managers' remuneration is paid based on the internal salary policy which referred to external reports of salary adjustment, the Company's operating performance, internal hierarchy and market pay level. The determination of individual remuneration was taken into consideration job responsibility, operating contribution and comprehensive resources. The Company also made remuneration and performance assessment policies.

Cheng Mei Materials Technology Corporation

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at December 31,	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					December 31, 2020	2020							Item	Value			
0	Cheng Mei Materials Technology Co., Ltd.	CM Visual Technology Corporation	Other receivables - related parties	Yes	\$ 85,000	\$ -	\$ -	2.50%	Shot-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 962,162	\$ 3,848,646	Notes 2
0	Cheng Mei Materials Technology Co., Ltd.	Hengmei Optoelectronic Co., Ltd.	Other receivables - related parties	Yes	584,307	-	-	-	Business relationship	4,376	-	-	None	-	4,376	962,162	Notes 2, 4
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Hengmei Optoelectronic Co., Ltd.	Other receivables - related parties	Yes	256,617	-	-	-	Business relationship	50	-	-	None	-	50	409,584	Notes 3, 4
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	27,056	27,056	27,056	2.97%	Shot-term financing	-	Operating capital	-	None	-	962,162	1,924,323	Notes 5

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Company's "Procedures for Provision of Loans", when nature of the loan is related to short-term financing, the ceiling on total loans granted shall no more than 40% of net assets in the latest financial statements of the Company, limit on loans to a single party ceiling on total loans is 10% of the Company's net assets. When nature of the loan is related to business transactions, the ceiling on total loans granted shall no more than 10% of net assets in the latest financial statements of the Company; the limit on loans granted to a single party shall no more than the amount of business transactions occurred between the creditor and borrower in the latest year.

Note 3: According to the Ningbo Cheng Mei Materials Technology Co., Ltd.'s "Procedures for Provision of Loans", when nature of the loan is related to business transactions, the ceiling on total loans granted shall no more than 40% of net assets in the latest financial statements of the Ningbo Cheng Mei Materials Technology Co., Ltd.; the limit on loans granted to a single party shall no more than the amount of business transactions occurred between the creditor and borrower in the latest year.

Note 4: The amount is the accounts receivable due from related parties that is past due a certain period of time over the normal credit term and is the other receivables transferred from loans granted based on the assessment.

Note 5: According to the Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of group's parent company. The limit on loans granted to a single party is 10% of net assets of the group's parent company.

Cheng Mei Materials Technology Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party										
0	Cheng Mei Materials Technology Corporation	Hengmei Optoelectronic Co., Ltd.	6	\$ 4,810,808	\$ 3,502,344	\$ 3,502,344	\$ 2,364,136	\$ -	36.40%	\$ 9,621,616	N	N	Y	Note 3,4,5

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'

(2) The subsidiaries are numbered in order starting from '1'. The same Company will have the same number.

Note 2: Relationship between the endorser guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the Group's related regulations, the limit on endorsements and guarantees for any single entity is 50% of the Company's net worth based on the latest financial statements.

Note 4: In accordance with the Group's related regulations, the limit on accumulated amount of transactions of endorsements and guarantees is the Company's net worth based on the latest financial statements.

Note 5: The Company's endorsement/guarantee amount to Hengmei Optoelectronic Co., Ltd. is calculated based on the shareholding ratio at the time of endorsement/guarantee provided. Because Hengmei Optoelectronic Co., Ltd. increased its capital in cash and the Group did not participate in the capital increase proportionately to ownership, the Company's shareholding ratio was decreased. The Company thereby entered into a credit counter-guarantee agreement with Hangzhou Jinjiang Group Co., Ltd. With regard to the amount of endorsement/guarantee provided by the Company to Hengmei Optoelectronic Co., Ltd., Hangzhou Jinjiang Group Co., Ltd. agreed to provide the counter-guarantee for the amount exceeding the Company's current shareholding ratio and ensure that Hengmei Optoelectronic Co., Ltd. will repay the main loan based on the repayment schedule.

Cheng Mei Materials Technology Corporation

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 127,111	6.41%	\$ 127,111	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	5,821	Note	5,821	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	7,917	Note	7,917	-

Note:The shareholding ratio is less than 5% and therefore will not be disclosed.

Cheng Mei Materials Technology Corporation

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 2,977,950)	(34%)	-	-	-	\$ 415,399	20%	Note 1
Cheng Mei Materials Technology Co., Ltd.	Innolux Corporation	Related party	Sales	(904,143)	(10%)	-	-	-	-	-	Note 2
Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	(320,554)	(4%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Related party	Sales	(482,633)	(13%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	(128,678)	(4%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Display Ltd.	Related party	Sales	(110,030)	(3%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Parent	Sales	(132,911)	(2%)	-	-	-	25,682	2%	Note 1

Note 1: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.

The eliminated amount for the year ended December 31, 2020 was \$92,439.

Note 2: It has not been a related party of the Group since May 6, 2020.

Cheng Mei Materials Technology Corporation

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Accounts receivable \$ 415,399	6.77	\$ -	-	\$ 210,625	\$ -

Cheng Mei Materials Technology Corporation
Significant inter-company transactions during the reporting periods
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Details of significant inter-company transactions reaching NT\$ 10 million or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 2,977,950	-	31%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	415,399	-	3%
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Sales	60,110	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	132,911	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	25,682	-	-
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Other receivables	27,056	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:Prices and terms were determined in accordance with mutual agreements.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Cheng Mei Materials Technology Corporation

Information on investees (not including investees in Mainland China)

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss)	Investment income(loss)	
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand)	Ownership (%)	Book value	of the investee for the	recognised by the Company	
									year ended December 31, 2020	for the year ended December 31, 2020	Footnote
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,023,722	\$ 210,235	\$ 210,235	Note 1
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	205,000	6,638	22.96%	66,115 (	43,717) (	34,347)	Note 1
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	3,881,286	178,658	178,658	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	5,000	15,187	100%	18,847 (	3,529) (	3,529)	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	5,000	21,100	100%	48,798 (	2,762) (	2,762)	Note 1
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	954 (	43,717)	Note 2	Note 1
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	26,961 (	1,407)	Note 2	Note 1

Note 1: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 2: According to the regulations, the amount recognised for investment profit or loss of the Company could be exempt from disclosure.

Cheng Mei Materials Technology Corporation

Information on investments in Mainland China

Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 577,526	2	\$ 378,784	\$ -	\$ -	\$ 378,784	\$ 210,235	100.00	\$ 210,235	\$ 1,023,960	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	11,052,609	2	4,172,320	-	-	4,172,320	465,256	38.40	178,658	3,881,549	-	Note 2
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	28,480	2	28,480	-	-	28,480	(1,076)	100.00	(1,076)	-	-	Note 2, 3
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 5)										
Cheng Mei Materials Technology Corporation	\$4,579,584	\$4,579,584	\$5,772,970										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China..

(2) Through investing in Cheng Mei Materials Techonology (Samoa) Corporation, Chi Mei Materials Tehcnology Invesment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 3: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 4: The numbers in this table are expressed in New Taiwan dollars. Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates of NTD 29.55 to US\$1 from January 1, 2020 to December 31, 2020, otherwise are re-translated at the exchange rates of NTD 28.48 to US\$1 prevailing at the end of the financial reporting period.

Note 5: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,977,950	35%	\$ -	-	\$ 415,399	20%	\$ -	-	\$ -	\$ -	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(132,911)	2%	-	-	(25,682)	2%	-	-	-	-	-	-	-

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.
The eliminated amount for the year ended December 31, 2020 was \$92,439.

Cheng Mei Materials Technology Corporation

Major shareholders information

December 31, 2020

Table 10

Name of major shareholders	Shares		Express in shares
	Name of shares held	Ownership (%)	
Far Eastern International Bank entrusted with the custody of Munsun Capital Taiwan's investment in new materials	59,271,760		8.90%
Innolux Corporation	57,211,305		8.59%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.