

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017(restated)		2016		2017(restated)		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES	\$ 2,484,067	100	\$ 2,700,101	100	\$ 7,189,794	100	\$ 7,678,224	100
COST OF SALES (Notes 10 and 22)	<u>2,763,286</u>	<u>111</u>	<u>3,012,212</u>	<u>112</u>	<u>7,855,633</u>	<u>110</u>	<u>8,155,436</u>	<u>106</u>
GROSS LOSS	<u>(279,219)</u>	<u>(11)</u>	<u>(312,111)</u>	<u>(12)</u>	<u>(665,839)</u>	<u>(10)</u>	<u>(477,212)</u>	<u>(6)</u>
OPERATING EXPENSES (Notes 22 and 30)								
Selling and marketing expenses	60,236	2	60,688	2	158,071	2	169,928	2
General and administrative expenses	66,622	3	48,977	2	190,227	3	142,531	2
Research and development expenses	<u>92,757</u>	<u>4</u>	<u>86,011</u>	<u>3</u>	<u>297,799</u>	<u>4</u>	<u>228,147</u>	<u>3</u>
Total operating expenses	<u>219,615</u>	<u>9</u>	<u>195,676</u>	<u>7</u>	<u>646,097</u>	<u>9</u>	<u>540,606</u>	<u>7</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 33)	<u>-</u>	<u>-</u>	<u>4,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,764)</u>	<u>(1)</u>
LOSS FROM OPERATIONS	<u>(498,834)</u>	<u>(20)</u>	<u>(503,392)</u>	<u>(19)</u>	<u>(1,311,936)</u>	<u>(19)</u>	<u>(1,056,582)</u>	<u>(14)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 30)								
Other income	18,932	1	32,846	1	51,576	1	64,539	1
Other gains and losses	109,031	4	(7,907)	-	31,343	-	(289,426)	(4)
Finance costs	<u>(53,084)</u>	<u>(2)</u>	<u>(3,418)</u>	<u>-</u>	<u>(94,507)</u>	<u>(1)</u>	<u>(13,256)</u>	<u>-</u>
Total non-operating income and expenses	<u>74,879</u>	<u>3</u>	<u>21,521</u>	<u>1</u>	<u>(11,588)</u>	<u>-</u>	<u>(238,143)</u>	<u>(3)</u>
LOSS BEFORE INCOME TAX	<u>(423,955)</u>	<u>(17)</u>	<u>(481,871)</u>	<u>(18)</u>	<u>(1,323,524)</u>	<u>(19)</u>	<u>(1,294,725)</u>	<u>(17)</u>
INCOME TAX BENEFITS (EXPENSES) (Notes 4 and 23)	<u>5,818</u>	<u>-</u>	<u>26,192</u>	<u>1</u>	<u>125,765</u>	<u>2</u>	<u>(13,350)</u>	<u>-</u>
NET LOSS FOR THE PERIOD	<u>(418,137)</u>	<u>(17)</u>	<u>(455,679)</u>	<u>(17)</u>	<u>(1,197,759)</u>	<u>(17)</u>	<u>(1,308,075)</u>	<u>(17)</u>

(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017(restated)		2016		2017(restated)		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ 70,187	3	\$ (194,811)	(7)	\$ (86,390)	(1)	\$ (321,935)	(4)
Unrealized loss on available-for-sale financial assets	-	-	(7,975)	-	(28)	-	(11,154)	-
Other comprehensive income (loss) for the period, net of income tax	70,187	3	(202,786)	(7)	(86,418)	(1)	(333,089)	(4)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (347,950)</u>	<u>(14)</u>	<u>\$ (658,465)</u>	<u>(24)</u>	<u>\$ (1,284,177)</u>	<u>(18)</u>	<u>\$ (1,641,164)</u>	<u>(21)</u>
NET LOSS								
ATTRIBUTABLE TO:								
Owners of CMMT	\$ (320,861)	(13)	\$ (444,955)	(17)	\$ (1,018,407)	(14)	\$ (1,297,984)	(17)
Non-controlling interests	(97,276)	(4)	(10,724)	-	(179,352)	(3)	(10,091)	-
	<u>\$ (418,137)</u>	<u>(17)</u>	<u>\$ (455,679)</u>	<u>(17)</u>	<u>\$ (1,197,759)</u>	<u>(17)</u>	<u>\$ (1,308,075)</u>	<u>(17)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:								
Owners of CMMT	\$ (280,756)	(11)	\$ (569,897)	(21)	\$ (1,070,055)	(15)	\$ (1,551,919)	(20)
Non-controlling interests	(67,194)	(2)	(88,568)	(3)	(214,122)	(3)	(89,245)	(1)
	<u>\$ (347,950)</u>	<u>(14)</u>	<u>\$ (658,465)</u>	<u>(24)</u>	<u>\$ (1,284,177)</u>	<u>(18)</u>	<u>\$ (1,641,164)</u>	<u>(21)</u>
LOSS PER SHARE (Note 24)								
Basic loss per share	<u>\$ (0.59)</u>		<u>\$ (0.86)</u>		<u>\$ (1.94)</u>		<u>\$ (2.52)</u>	
Diluted loss per share	<u>\$ (0.59)</u>		<u>\$ (0.86)</u>		<u>\$ (1.94)</u>		<u>\$ (2.52)</u>	

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

(Concluded)

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1 and September 30, 2016	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Balance at January 1, 2017	\$ 1,523	\$ -	\$ 1,523
Less: Amount written off during the period	<u>(1,523)</u>	<u>-</u>	<u>(1,523)</u>
Balance at September 30, 2017	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

b. Other receivables

The movements of the allowance for doubtful other receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1 and September 30, 2017 and 2016	\$ <u>18,215</u>	\$ <u>-</u>	\$ <u>18,215</u>

10. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Finished goods	\$ 215,589	\$ 576,187	\$ 504,614
Work in progress	557,190	367,820	310,528
Raw materials	1,246,018	1,097,896	929,780
Commodities	<u>4</u>	<u>-</u>	<u>-</u>
	\$ <u>2,018,801</u>	\$ <u>2,041,903</u>	\$ <u>1,744,922</u>

The cost of inventories recognized as cost of goods sold was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Cost of inventories	\$ <u>2,763,286</u>	\$ <u>3,012,212</u>	\$ <u>7,855,633</u>	\$ <u>8,155,436</u>

The cost of goods sold included write-downs of inventories which were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
(Reversal of) inventory write-downs	\$ <u>(171,809)</u>	\$ <u>177,015</u>	\$ <u>108,986</u>	\$ <u>253,412</u>

The reserve for inventory write-downs was reversed when the related inventory items were sold.

Had these business combinations been in effect at the beginning of the annual reporting period, both the Corporation's revenue from continuing operations would have been NT\$7,189,794 thousand and the loss from continuing operations would have been NT\$1,197,962 thousand for the nine months ended September 30, 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that actually would have been achieved had the acquisition been completed on January 1, 2017 nor is it intended to be a projection of future results.

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Corporation subscribed for additional new shares of KSCMMT at a percentage different from its existing ownership percentage, reducing its continuing interest from 92.6 % to 49% on May 12, 2016.

In December 2016, the Corporation disposed of 2% of its interest in CMVT, reducing its continuing interest from 83.33% to 81.33%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

KSCMMT:

	May 12, 2016
Cash consideration received (paid)	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	<u>50,212</u>
Differences recognized from equity transactions	<u>\$ 50,212</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - share of changes in equities of subsidiaries	<u>\$ 50,212</u>

CMVT:

	December 28, 2016
Cash consideration received (paid)	\$ 6,000
The proportionate share of the carrying amount of the net assets of the subsidiary transferred (to) from non-controlling interests	<u>(2,938)</u>
Differences recognized from equity transactions	<u>\$ 3,062</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - differences between equity purchasing price and carrying amount arising from actual acquisitions or disposals of subsidiaries	<u>\$ 3,062</u>

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 - 9) Trading in derivative instruments: Note 29
 - 10) Intercompany relationships and significant intercompany transactions: Table 6
 - 11) Information on investees: Table 7
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 9
 - a) The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the period.
 - b) The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the period.

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenues and results

The following was an analysis of the Corporation's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Revenue	
	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
Taiwan operating entities	\$ 901,449	\$ 1,243,923	\$ 2,917,634	\$ 4,255,477
China operating entities	<u>1,582,618</u>	<u>1,456,178</u>	<u>4,272,160</u>	<u>3,422,747</u>
Total from continuing operations	<u>\$ 2,484,067</u>	<u>\$ 2,700,101</u>	<u>\$7,189,794</u>	<u>\$ 7,678,224</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms (Note 2)	
1	CMMT	NBCMMT	1	Sales	\$ 3,170,890	-	44%
				Accounts receivable	1,694,749	-	7%
				Other receivables	1,200	-	-
				Accounts payable	109,296	-	-
				Other payables	9,696	-	-
				Sales	4,833	-	-
				Accounts receivable	6,347	-	-
				Accounts payable	675	-	-
				Provisions	1,125	-	-
				Rental income	2,179	-	-
				Sales	118,109	-	2%
				Other receivables	301,895	-	1%
				Sales	38,317	-	1%
				Accounts receivable	2,847	-	-
2	NBCMMT	CMVT	1	Other receivable	895	-	-
				Sales	13,757	-	-
				Accounts receivable	7,136	-	-
				Sales	267,840	-	4%
				Accounts receivable	130,148	-	1%
2	KSCMMT	KSCMS	2	Sales	5,237	-	-
				Accounts payable	1,975	-	-
				Other receivables	73	-	-
				Interest revenue	5,358	-	-

Note 1: No. 1 represents transaction from the parent company to a subsidiary.

No. 2 represents transactions between subsidiaries.

Note 2: Prices and terms were determined in accordance with mutual agreements.