

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Three Months Ended March 31			
	2018(restated)		2017(restated)	
	Amount	%	Amount	%
NET SALES (Note 23)	\$ 2,499,643	100	\$ 2,298,368	100
COST OF SALES (Notes 11 and 24)	<u>2,613,633</u>	<u>105</u>	<u>2,474,900</u>	<u>108</u>
GROSS LOSS	<u>(113,990)</u>	<u>(5)</u>	<u>(176,532)</u>	<u>(8)</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	62,319	2	44,698	2
General and administrative expenses	66,723	3	53,622	2
Research and development expenses	<u>107,837</u>	<u>4</u>	<u>97,414</u>	<u>4</u>
Total operating expenses	<u>236,879</u>	<u>9</u>	<u>195,734</u>	<u>8</u>
LOSS FROM OPERATIONS	<u>(350,869)</u>	<u>(14)</u>	<u>(372,266)</u>	<u>(16)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 24 and 33)				
Other income	7,210	-	14,700	1
Other gains and losses	19,145	-	(183,541)	(8)
Finance costs	<u>(63,451)</u>	<u>(2)</u>	<u>(10,106)</u>	<u>-</u>
Total non-operating income and expenses	<u>(37,096)</u>	<u>(2)</u>	<u>(178,947)</u>	<u>(7)</u>
LOSS BEFORE INCOME TAX	(387,965)	(16)	(551,213)	(23)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 25)	<u>(2,287)</u>	<u>-</u>	<u>91,323</u>	<u>3</u>
NET LOSS FOR THE YEAR	<u>(390,252)</u>	<u>(16)</u>	<u>(459,890)</u>	<u>(20)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss: (Note 22)				
Exchange differences on translating foreign operations	81,070	3	(243,150)	(11)
Unrealized gain on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>
Other comprehensive loss (income) for the period, net of income tax	<u>81,070</u>	<u>3</u>	<u>(243,140)</u>	<u>(11)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (309,182)</u>	<u>(13)</u>	<u>\$ (703,030)</u>	<u>(31)</u>

(Continued)

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

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2018(restated)		2017(restated)	
	Amount	%	Amount	%
NET LOSS ATTRIBUTABLE TO:				
Owners of CMMT	\$ (338,894)	(14)	\$ (448,301)	(19)
Non-controlling interests	<u>(51,358)</u>	<u>(2)</u>	<u>(11,589)</u>	<u>(1)</u>
	<u>\$ (390,252)</u>	<u>(16)</u>	<u>\$ (459,890)</u>	<u>(20)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of CMMT	\$ (291,586)	(12)	\$ (589,481)	(26)
Non-controlling interests	<u>(17,596)</u>	<u>(1)</u>	<u>(113,549)</u>	<u>(5)</u>
	<u>\$ (309,182)</u>	<u>(13)</u>	<u>\$ (703,030)</u>	<u>(31)</u>
LOSS PER SHARE (Note 26)				
Basic loss per share	<u>\$ (0.51)</u>		<u>\$ (0.87)</u>	-
Diluted loss per share	<u>\$ (0.51)</u>		<u>\$ (0.87)</u>	-

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

(Concluded)

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

	For the Three Months Ended March 31	
	2018	2017
Cost of inventories	<u>\$ 2,613,633</u>	<u>\$ 2,474,900</u>

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

	March 31, 2018	March 31, 2017
(Reversal of) write-down of inventories	<u>\$ (169,209)</u>	<u>\$ 53,007</u>

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

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			March 31, 2018	December 31, 2017	March 31, 2017	
CMMT	Chi Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment company	100%	100%	100%	-
	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacturing and selling	68.33%	68.33%	68.33%	-
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment company	100%	100%	100%	-
	Chi Tsai Investment Co., Ltd. ("CTI")	Investment company	100%	100%	100%	-
	Chi Tsai Trading Co., Ltd. ("CTT")	Trading business	100%	100%	100%	1)
	Ki Kin Corporation ("KK")	Trading business	-	-	67.14%	2)
CMMTS	Ningbo Chi Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacturing and selling	100%	100%	100%	-
CMMTI	Kunshan Chimei Materials Technology Co., Ltd. ("KSCMMT")	Electronic component manufacturing and selling	49%	49%	49%	-
KSCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trading business	100%	100%	100%	-
	Xi'an Jinyaohongtai New Materials Technology Co., Ltd. ("XJHM")	Electronic component manufacturing and selling	100%	-	-	3)
CTI	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacturing and selling	13%	13%	13%	4)

Remarks:

- 1) CTT was incorporated in January 2017. The Corporation holds a 100% interest in CTT.
- 2) KK, whose original name was Jin Jiang Corporation ("JJ"), was invested in by Zhejiang Hengjie Co., Ltd. ("ZH") in the amount of JPY23,000 thousand on June 29, 2016. ZH held a 100% interest in KK. On March 3, 2017, the Corporation injected JPY47,000 thousand into JJ, which raised the Corporation's percentage of ownership over KK to 67.14%. The investment purpose was to reduce the cost of purchasing raw materials. However, the economic returns have not been as

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	Three Months Ended March 31	
	2018	2017
Balance at January 1	\$ (246,224)	\$ (202,996)
Exchange differences on translating foreign operations	<u>47,308</u>	<u>(141,188)</u>
Balance at March 31	<u>\$ (198,916)</u>	<u>\$ (344,184)</u>

2) Unrealized gain on available-for-sale financial assets

	Three Months Ended March 31	
	2018	2017
Balance at January 1	\$ -	\$ 23
Unrealized gain on revaluation of available-for-sale financial assets	<u>-</u>	<u>8</u>
Balance at March 31	<u>\$ -</u>	<u>\$ 31</u>

e. Non-controlling interests

	Three Months Ended March 31	
	2018	2017
Balance at January 1	\$ 1,935,541	\$ 2,287,298
Attributable to non-controlling interests:		
Share of loss for the period	(51,358)	(11,589)
Exchange difference on translating foreign operations	33,762	(101,962)
Unrealized gain on available-for-sale financial assets	-	2
Partial disposals of subsidiaries	6,000	-
Purchase price and carrying amount differences from acquisitions or disposals of subsidiaries	(3,714)	-
Non-controlling interests from acquisition of KK (see Note 28)	<u>-</u>	<u>5,876</u>
Balance at March 31	<u>\$ 1,920,231</u>	<u>\$ 2,179,625</u>

23. REVENUE

	For the Three Months Ended March 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 2,473,819	\$ 2,273,330
Other	<u>25,824</u>	<u>25,038</u>
	<u>\$ 2,499,643</u>	<u>\$ 2,298,368</u>

e. Net cash inflow on acquisitions of subsidiaries

	KK
Consideration paid in cash	\$ 12,878
Less: Cash balances acquired	<u>(18,221)</u>
	<u>\$ (5,343)</u>

f. Impact of acquisitions on the results of the Corporation

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	KK
Revenue	\$ <u>-</u>
Loss	<u>\$ (1,096)</u>

Had these business combinations been in effect for the entire annual reporting period, rather than just from March 3 to December 25, 2017, the Corporation's revenue from continuing operations would have been NT\$9,878,148 thousand and the loss from continuing operations would have been NT\$1,550,026 thousand. 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 and sustained until December 31, 2017 nor is it intended to be a projection of future results.

29. DISPOSALS OF SUBSIDIARIES - WITH LOSS OF CONTROL

On December 21, 2017, the Corporation entered into a sale agreement with its affiliate, Zhejiang Hengjie Co., Ltd., to dispose of KK. The disposal was completed on December 25, 2017, on which date control of KK passed to the acquirer.

a. Consideration received from disposals

	KK
Sales proceeds receivable (JPY47,000 thousand, included in other receivables - related parties)	<u>\$ 12,436</u>

b. Analysis of assets and liabilities on the dates control was lost

	KK
Current assets	
Cash and cash equivalents	\$ 13,861
Accounts receivable	517
Other receivables	248
Non-current assets	
Goodwill	873
Refundable deposits	215
Other non-current assets	126
Current liabilities	
Advance receipts and other current liabilities	<u>(249)</u>
Net assets disposed of	<u>\$ 15,591</u>

10) Intercompany relationships and significant intercompany transactions: Table 5

11) Information on investees: Table 6

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 7
- 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 8
 - 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.

38. 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 revenue and results

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

	Segment Revenue		Segment Profit or Loss	
	Three Months Ended		Three Months Ended	
	March 31		March 31	
	2018	2017	2018	2017
Taiwan-based operating entities	\$ 862,936	\$ 1,148,525	\$ (164,729)	\$ (194,258)
China-based operating entities	1,636,707	1,149,843	(186,140)	(177,895)
Others	-	-	-	(113)
Total from continuing operations	<u>\$ 2,499,643</u>	<u>\$ 2,298,368</u>	(350,869)	(372,266)
Net foreign exchange gain (loss)			366	(211,645)
Government grants			2,920	-
Interest income			2,871	8,609
Net gain on financial assets designated as at FVTPL			589	4,018
Net gain on financial assets mandatorily classified as at FVTPL			18,201	24,093
Finance costs			(63,451)	(10,106)
Others			<u>1,408</u>	<u>6,084</u>
Loss before income tax			<u>\$ (387,965)</u>	<u>\$ (551,213)</u>

TABLE 5

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms (Note 2)	% of Total Sales or Assets
0	CMMT	NBCMMT	1	Sales	\$ 771,444	-	31
			1	Accounts receivable	1,424,935	-	6
			1	Other receivables	387	-	-
			1	Accounts payable	38,709	-	-
			1	Other payables	2,789	-	-
		CMVT	1	Sales	10,044	-	-
			1	Accounts receivable	14,914	-	-
			1	Accounts payable	1,030	-	-
			1	Rental income	726	-	-
		KSCMMT	1	Sales	49,042	-	2
			1	Accounts receivable	48,587	-	-
			1	Other receivables	420,741	-	2
		KSCMS	1	Royalty receipts	18,283	-	1
			1	Sales	18,081	-	1
1	NBCMMT	CMVT	1	Accounts receivable	18,032	-	-
			2	Sales	1,302	-	-
		KSCMMT	2	Accounts receivable	2,183	-	-
			2	Sales	19,353	-	1
			2	Accounts receivable	141,103	-	1
2	KSCMMT	KSCMS	2	Accounts payable	2,968	-	-
		KSCMS	1	Sales	216	-	-
			1	Other receivables	122	-	-
			1	Interest revenue	239	-	-
			1	Other payables	123,846	-	-

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

No. 2 represents a transaction between subsidiaries.

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