

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION (FORMERLY CHI MEI
MATERIALS TECHNOLOGY
CORPORATION) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 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 AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
SEPTEMBER 30, 2020 AND 2019 CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
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INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR20000126

To Cheng Mei Materials Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Mei Materials Technology Corporation (formerly Chi Mei Materials Technology Corporation) and subsidiaries (collectively referred herein as the “Group”) as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(8), the financial statements of certain insignificant subsidiaries that are consolidated into these consolidated financial statements and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method) of NT\$3,917,913 thousand and NT\$340,092 thousand, constituting 28.26% and 1.32% of the consolidated total assets, and total liabilities of

NT\$28,475 thousand and NT\$24,087 thousand, constituting 0.64% and 0.19% of the consolidated total liabilities as at September 30, 2020 and 2019, and total comprehensive income (including share of the profit of associates and joint ventures accounted for using the equity method) of NT\$39,960 thousand, (NT\$32,560) thousand, NT\$39,006 thousand, and (NT\$59,559) thousand, constituting 46.77%, 5.04%, (15.00%), and 6.13% of the consolidated total comprehensive income for the three months and nine months then ended September 30, 2020 and 2019, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Liu, Tzu-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan
November 6, 2020

The accompanying consolidated 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 consolidated financial statements and independent auditor’s review 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 AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

			September 30, 2020		December 31, 2019		September 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Assets								
Notes								
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 465,618	3	\$ 192,942	1	\$ 853,623	3
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	571	-	3,500	-
1136	Current financial assets at amortised cost	6(4) and 8	195,245	2	202,507	1	1,272,401	5
1150	Notes receivable, net	6(5) and 8	-	-	-	-	243,397	1
1170	Accounts receivable, net	6(5)	2,142,436	16	417,955	3	1,795,695	7
1180	Accounts receivable, net - related parties	6(5) and 7	452	-	1,933,610	14	1,494,755	6
1200	Other receivable		54,384	-	58,028	-	76,633	-
1210	Other receivables - related parties	7	251,101	2	805,391	6	269	-
1220	Current tax assets		744	-	1,006	-	978	-
130X	Inventories	6(6)	2,263,525	16	2,146,069	15	3,293,553	13
1410	Prepayments	6(7)	278,302	2	71,868	1	1,137,704	5
1479	Other current assets	6(12)	12,950	-	18,282	-	34,400	-
11XX	Total current assets		5,664,757	41	5,848,229	41	10,206,908	40
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	162,267	1	169,740	1	185,975	1
1550	Investments accounted for using equity method	6(8)	3,687,672	27	3,638,064	26	-	-
1600	Property, plant and equipment	6(9) and 8	4,081,950	29	4,358,111	31	13,895,993	54
1755	Right-of-use assets	6(10)	29,978	-	30,996	-	288,665	1
1780	Intangible assets	6(11)	24,970	-	32,087	-	62,909	-
1840	Deferred tax assets		76,381	1	76,381	1	91,590	-
1915	Prepayments for equipment		126,391	1	50,775	-	252,074	1
1990	Other non-current assets	6(12)	8,915	-	9,124	-	801,126	3
15XX	Total non-current assets		8,198,524	59	8,365,278	59	15,578,332	60
1XXX	Total assets		\$ 13,863,281	100	\$ 14,213,507	100	\$ 25,785,240	100

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

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(5)(13) and 8	\$ 2,411,036	17	\$ 2,788,425	20	\$ 5,344,096	21
2120	Current financial liabilities at fair value through profit or loss	6(2)	138	-	-	-	135	-
2130	Contract liabilities	6(20) and 7	57,331	-	22,169	-	14,357	-
2170	Accounts payable		1,239,087	9	1,072,008	8	1,300,621	5
2180	Accounts payable - related parties	7	1,201	-	1,240	-	253,856	1
2200	Other payables	6(14)	352,833	3	423,098	3	979,475	4
2280	Current lease liabilities		55	-	55	-	16,052	-
2320	Current portion of long-term bank loans	6(15)	203,242	2	200,000	1	2,575,993	10
2399	Other current liabilities	6(32)	8,465	-	8,890	-	15,067	-
21XX	Total current liabilities		<u>4,273,388</u>	<u>31</u>	<u>4,515,885</u>	<u>32</u>	<u>10,499,652</u>	<u>41</u>
	Non-current liabilities							
2540	Long-term borrowings	6(15)	152,358	1	-	-	1,835,122	7
2570	Deferred tax liabilities		22,674	-	22,674	-	22,674	-
2580	Non-current lease liabilities		104	-	145	-	33,795	-
2645	Guarantee deposits		40	-	40	-	131	-
2670	Other non-current liabilities	6(32)	-	-	-	-	180,388	1
25XX	Total non-current liabilities		<u>175,176</u>	<u>1</u>	<u>22,859</u>	<u>-</u>	<u>2,072,110</u>	<u>8</u>
2XXX	Total liabilities		<u>4,448,564</u>	<u>32</u>	<u>4,538,744</u>	<u>32</u>	<u>12,571,762</u>	<u>49</u>
	Equity attributable to the owners of the company							
	Share capital							
3110	Common shares	6(17)	6,657,285	48	6,657,285	47	6,657,285	26
	Capital surplus							
3200	Capital surplus	6(18)	938,942	7	944,026	7	851,689	3
	Retained earnings	6(19)						
3310	Legal reserve		1,085,124	8	1,085,124	8	1,085,124	4
3320	Special reserve		676,861	5	447,530	3	447,530	2
3350	Unappropriated retained earnings		762,462	5	1,201,658	8	1,246,568	5
	Other equity interest							
3400	Other equity interest		(721,221)	(5)	(676,861)	(5)	(610,065)	(3)
31XX	Total equity attributable to owners of the Company		<u>9,399,453</u>	<u>68</u>	<u>9,658,762</u>	<u>68</u>	<u>9,678,131</u>	<u>37</u>
36XX	Non-controlling interest	4(3) and 6(29)	15,264	-	16,001	-	3,535,347	14
3XXX	Total equity		<u>9,414,717</u>	<u>68</u>	<u>9,674,763</u>	<u>68</u>	<u>13,213,478</u>	<u>51</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 13,863,281</u>	<u>100</u>	<u>\$ 14,213,507</u>	<u>100</u>	<u>\$ 25,785,240</u>	<u>100</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Net sales	6(20) and 7	\$ 2,389,394	100	\$ 3,444,173	100	\$ 6,695,531	100	\$ 11,179,793	100
5000 Cost of sales	6(6)(11)(25)(26) and 7	(2,283,556)	(96)	(3,334,306)	(97)	(6,562,474)	(98)	(10,737,657)	(96)
5900 Gross profit		<u>105,838</u>	<u>4</u>	<u>109,867</u>	<u>3</u>	<u>133,057</u>	<u>2</u>	<u>442,136</u>	<u>4</u>
Operating expenses	6(11)(25)(26) and 12(2)								
6100 Selling and marketing expenses		(42,384)	(2)	(70,977)	(2)	(111,537)	(2)	(199,061)	(2)
6200 General and administrative expenses		(51,890)	(2)	(91,306)	(3)	(154,311)	(2)	(303,708)	(3)
6300 Research and development expenses		(53,697)	(2)	(126,523)	(4)	(140,397)	(2)	(327,526)	(3)
6450 Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		<u>-</u>	<u>-</u>	<u>21,982</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>86,092</u>	<u>1</u>
6000 Total operating expenses		(147,971)	(6)	(266,824)	(8)	(406,245)	(6)	(744,203)	(7)
6900 Loss from operations		(42,133)	(2)	(156,957)	(5)	(273,188)	(4)	(302,067)	(3)
Non-operating income and expenses									
7100 Interest income	6(21)	1,387	-	6,542	-	3,208	-	24,911	-
7010 Other income	6(22) and 7	16,332	1	17,439	1	62,744	1	64,729	1
7020 Other gains and losses	6(2)(23)	(6,355)	-	(128,724)	(4)	(34,145)	-	(235,838)	(2)
7050 Finance costs	6(9)(24)	(16,712)	(1)	(79,785)	(2)	(53,260)	(1)	(239,752)	(2)
7060 Share of profit of associates and joint ventures accounted for using equity method	6(8)	<u>50,433</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>79,849</u>	<u>1</u>	<u>-</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>45,085</u>	<u>2</u>	<u>(184,528)</u>	<u>(5)</u>	<u>58,396</u>	<u>1</u>	<u>(385,950)</u>	<u>(3)</u>
7900 Profit (loss) before income tax		2,952	-	(341,485)	(10)	(214,792)	(3)	(688,017)	(6)
7950 Income tax (expense) benefit	6(27)	(181)	-	182	-	(894)	-	(22,867)	(1)
8200 Profit (loss) for the period		<u>\$ 2,771</u>	<u>-</u>	<u>(\$ 341,303)</u>	<u>(10)</u>	<u>(\$ 215,686)</u>	<u>(3)</u>	<u>(\$ 710,884)</u>	<u>(7)</u>

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)
(UNAUDITED)

			Three months ended September 30				Nine months ended September 30			
			2020		2019		2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)										
Components of other comprehensive income that will not be reclassified to profit or loss										
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	\$ -	-	\$ -	-	(\$ 7,473)	-	(\$ 42,680)	-
Components of other comprehensive income that will be reclassified to profit or loss										
8361	Exchange differences on translation of foreign financial statements		82,664	4	(304,968)	(9)	(36,887)	(1)	(217,727)	(2)
8300	Total other comprehensive income (loss)		<u>\$ 82,664</u>	<u>4</u>	<u>(\$ 304,968)</u>	<u>(9)</u>	<u>(\$ 44,360)</u>	<u>(1)</u>	<u>(\$ 260,407)</u>	<u>(2)</u>
8500	Total comprehensive income (loss) for the period		<u>\$ 85,435</u>	<u>4</u>	<u>(\$ 646,271)</u>	<u>(19)</u>	<u>(\$ 260,046)</u>	<u>(4)</u>	<u>(\$ 971,291)</u>	<u>(9)</u>
Net income (loss) attributable to:										
8610	Owners of the Company		\$ 3,360	-	(\$ 247,647)	(7)	(\$ 209,865)	(3)	(\$ 643,649)	(7)
8620	Non-controlling interests		(589)	-	(93,656)	(3)	(5,821)	-	(67,235)	-
	Net income (loss)		<u>\$ 2,771</u>	<u>-</u>	<u>(\$ 341,303)</u>	<u>(10)</u>	<u>(\$ 215,686)</u>	<u>(3)</u>	<u>(\$ 710,884)</u>	<u>(7)</u>
Total comprehensive income (loss) attributable to:										
8710	Owners of the Company		\$ 86,024	4	(\$ 414,762)	(12)	(\$ 254,225)	(4)	(\$ 806,134)	(8)
8720	Non-controlling interests		(589)	-	(231,509)	(7)	(5,821)	-	(165,157)	(1)
	Net income (loss)		<u>\$ 85,435</u>	<u>4</u>	<u>(\$ 646,271)</u>	<u>(19)</u>	<u>(\$ 260,046)</u>	<u>(4)</u>	<u>(\$ 971,291)</u>	<u>(9)</u>
Earnings (loss) per share										
6(28)										
9750	Basic earnings (loss) per share		<u>\$ 0.01</u>		<u>(\$ 0.37)</u>		<u>(\$ 0.32)</u>		<u>(\$ 0.97)</u>	
9850	Diluted earnings (loss) per share		<u>\$ 0.01</u>		<u>(\$ 0.37)</u>		<u>(\$ 0.32)</u>		<u>(\$ 0.97)</u>	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent									
		Retained earnings				Other equity interest					
							Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income			
Notes	Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings				Total	Non-controlling interest	Total equity
For the nine months ended September 30, 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	\$ 3,700,504	\$ 14,184,769	
Net loss for the period	-	-	-	-	(643,649)	-	-	(643,649)	(67,235)	(710,884)	
Other comprehensive loss for the period	6(3)	-	-	-	-	(119,805)	(42,680)	(162,485)	(97,922)	(260,407)	
Total comprehensive loss for the period	-	-	-	-	(643,649)	(119,805)	(42,680)	(806,134)	(165,157)	(971,291)	
Appropriations and distribution of 2018 earnings:											
Special reserve	6(19)	-	-	201,306	(201,306)	-	-	-	-	-	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	50	-	(50)	-	-	-	
Balance at September 30, 2019	\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 447,530	\$ 1,246,568	(\$ 443,062)	(\$ 167,003)	\$ 9,678,131	\$ 3,535,347	\$ 13,213,478	
For the nine months ended September 30, 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	\$ 16,001	\$ 9,674,763	
Net loss for the period	-	-	-	-	(209,865)	-	-	(209,865)	(5,821)	(215,686)	
Other comprehensive loss for the period	6(3)	-	-	-	-	(36,887)	(7,473)	(44,360)	-	(44,360)	
Total comprehensive loss for the period	-	-	-	-	(209,865)	(36,887)	(7,473)	(254,225)	(5,821)	(260,046)	
Changes in ownership interests in subsidiaries	6(18)(29)	-	(5,084)	-	-	-	-	(5,084)	5,084	-	
Appropriations and distribution of 2019 earnings:											
Special reserve	6(19)	-	-	229,331	(229,331)	-	-	-	-	-	
Balance at September 30, 2020	\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 762,462	(\$ 530,510)	(\$ 190,711)	\$ 9,399,453	\$ 15,264	\$ 9,414,717	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Nine months ended September 30	
	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 214,792)	(\$ 688,017)
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(23)	20,210	22,858
Expected credit gain	12(2)	-	(86,092)
Share of profit of associates and joint ventures accounted for using equity method	6(8)	(79,849)	-
Depreciation expense	6(9)(10)(25)	328,220	745,639
Loss on disposal of property, plant and equipment	6(23)	(1,947)	5,034
Amortization expense	6(11)(25)	10,660	35,608
Interest expense	6(24)	53,260	239,752
Interest income	6(21)	(3,208)	(24,911)
Dividend income	6(22)	(712)	(712)
Gain arising from lease modification	6(10)(23)	-	(110)
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		22,296	55,621
Notes receivable		-	(56,777)
Notes receivable - related parties		-	18,806
Accounts receivable	(	1,724,430)	2,398,084
Accounts receivable - related parties		1,933,158	(1,296,964)
Other receivables		2,538	(30,337)
Other receivable - related parties		1,604	(269)
Inventories	(	117,456)	589,744
Prepayments	(	206,434)	(877,736)
Other current assets		5,332	3,834
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	41,797)	-
Current contract liabilities		35,162	(19,403)
Notes payable		-	(156,037)
Accounts payable		167,079	(1,049,527)
Accounts payable - related parties	(	39)	(121,783)
Other payable	(	78,968)	(47,197)
Other current liabilities	(	425)	(8,293)
Cash inflow (outflow) generated from operations		109,462	(349,185)
Interest received		4,289	24,911
Dividends received		712	712
Interest paid	(	57,971)	(245,718)
Income tax paid	(	1,354)	(2,552)
Income taxes refund		722	503
Net cash flows from (used in) operating activities		55,860	(571,329)

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Nine months ended September 30	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of non-current financial assets at fair value through other comprehensive income		\$ -	(\$ 14,478
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)	-	1,550
Decrease in current financial assets at amortised cost		7,262	41,425
Decrease in other receivables		-	68,681
Decrease in other receivables - related parties		552,686	179,751
Acquisition of property, plant and equipment	6(30)	(38,269)	(2,717,986)
Proceeds from disposal of property, plant and equipment		4,030	202
Acquisition of intangible assets	6(11)	(3,045)	(7,274)
Increase in equipment prepayments		(81,543)	(263,310)
Decrease in other non-current assets		209	6,698
Net cash flows from (used in) investing activities		441,330	(2,704,741)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term loans	6(31)	2,969,279	9,938,112
Repayments of short-term loans	6(31)	(3,319,667)	(9,948,785)
Payments of lease liabilities	6(31)	(41)	(11,719)
Proceeds from long-term debt	6(31)	155,600	4,315,686
Repayments of long-term debt	6(31)	-	(3,212,483)
Increase in guarantee deposits received	6(31)	-	82
Decrease in other non-current liabilities		-	(13,489)
Net cash flows (used in) from financing activities		(194,829)	1,067,404
Effect of exchange rate changes on cash and cash equivalents		(29,685)	(43,137)
Net increase (decrease) in cash and cash equivalents		272,676	(2,251,803)
Cash and cash equivalents at beginning of period	6(1)	192,942	3,105,426
Cash and cash equivalents at end of period	6(1)	\$ 465,618	\$ 853,623

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

(Reviewed, not audited)

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 and its subsidiaries (collectively referred herein as the “Group”) are 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 shareholders at the 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 CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by to the Board of Directors on November 6, 2020.

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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparation, basis of consolidation and the additional policies set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. The consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

(2) Basis of preparation

- A. Except for the following items, the consolidated 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 Interpretations, and SIC Interpretations 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the 2019 consolidated financial statements.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Cheng Mei Materials Technology Corporation (“CMMT”)	Cheng Mei Materials Technology (SAMOA) Corp. (“CMMTS”) (Formerly Chi Mei Materials Technology (SAMOA) Corp.)	Investment Company	100%	100%	100%	-

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Cheng Mei Materials Technology Corporation (“CMMT”)	CM Visual Technology Corporation (“CMVT”) (Formerly Chi Mei Visual Technology Corporation)	Electronic component manufacturing and selling	96.04%	68.33%	68.33%	Note 3, 4
	Chi Mei Materials Technology Investment Co., Ltd. (“CMMTI”)	Investment Company	100%	100%	100%	-
	Cheng Hui Investment Co., Ltd. (“CHI”) (Formerly Mao Yu Investment Co., Ltd.)	Investment Company	100%	100%	100%	Note 3
	Cheng Hui Trading Co., Ltd. (“CHT”) (Formerly Mao Fong Trading Co., Ltd.)	Trading business	100%	100%	100%	Note 3
CMMTS	Ningbo Cheng Mei Materials Technology Co., Ltd. (“NBCMMT”) (Formerly Ningbo Chi Mei Materials Technology Co., Ltd.)	Electronic component manufacturing and selling	100%	100%	100%	-
CMMTI	Kunshan Chimei Materials Technology Co., Ltd. (“KSCMMT”)	Electronic component manufacturing and selling	38.4%	38.4%	49.5%	Note 1
KSCMMT	Kunshan Chimei Materials Trading Corp. (“KSCMS”)	Trading business	100%	100%	100%	Note 2
	Xi'an Jinyahongtai New Materials Technology Co., Ltd. (“XJHM”)	Electronic component manufacturing and selling	100%	100%	100%	Note 2, 3
CHI	CMVT	Electronic component manufacturing and selling	1.38%	11%	11%	Note 3, 4
CHT	Mao Fong Group Co., Ltd. (Mao Fong Group)	Investment Company	100%	100%	100%	Note 3
Mao Fong Group	Kunshan Xin Mao Fong International Trading Co., Ltd. (“KSMF”)	Trading business	100%	100%	100%	Note 3

Note 1: The Group holds 49.5% of the shares of KSCMMT, and the Group is the single largest shareholder. According to the agreement among shareholders, the Group is entitled to appoint a Chairman and recommend a person for the position of General Manager. Because the Group has control over KSCMMT, KSCMMT is classified as a subsidiary. In October 2019 and December 2019, KSCMMT increased its capital in cash. The Group did not participate in the capital increase proportionately to ownership, therefore the shareholding ratio was decreased to 38.4%. Additionally, because of the reelection of directors of KSCMMT, the Group lost its control over KSCMMT. Therefore, KSCMMT is no longer included in the Group’s consolidated financial statements. Please refer to Note 6(29) for details.

Note 2: Since KSCMS and XJHM were both the subsidiaries of KSCMMT, and the Group lost its control over KSCMS and XJHM when the control over KSCMMT was lost, therefore, KSCMS and XJHM are no longer included in the Group’s consolidated financial statements.

Note 3: The financial statement of the entity as of and for the nine months ended September 30, 2020 and 2019 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 4: In July 2020, CMVT increased its capital by \$84,000 through issuing new shares. The Company subscribed all the shares, therefore, the shareholding ratio of the Company and CHI was increased from 68.33% to 96.04% and decreased from 11% to 1.38%, respectively. Please refer to Note 6(29) for details.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2020, December 31, 2019 and September 30, 2019, the non-controlling interest amounted to \$15,264, \$16,001 and \$3,535,347, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2019	
		Amount	Ownership (%)
KSCMMT	China	\$ 3,513,310	50.50

Summarised financial information of the subsidiaries:

Balance sheets

	KSCMMT
	September 30, 2019
Current assets	\$ 5,241,557
Non-current assets	10,958,102
Current liabilities	(7,393,372)
Non-current liabilities	(1,849,238)
Total net assets	\$ 6,957,049

Statement of comprehensive income

	KSCMMT
	Three months ended September 30, 2019
Revenue	\$ 1,533,317
Loss for the period	(\$ 176,515)
Total comprehensive loss for the period	(\$ 176,515)
Comprehensive loss attributable to non-controlling interest	(\$ 89,140)
	KSCMMT
	Nine months ended September 30, 2019
Revenue	\$ 5,413,315
Loss for the period	(\$ 114,022)
Total comprehensive loss for the period	(\$ 114,022)
Comprehensive loss attributable to non-controlling interest	(\$ 57,581)

Statement of cash flows

	KSCMMT
	Nine months ended September 30, 2019
Net cash provided by operating activities	\$ 438,695
Net cash used in investing activities	(2,657,863)
Net cash provided by financing activities	1,445,291
Decrease in cash and cash equivalents	(\$ 773,877)

(4) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes as of September 30, 2020. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 430	\$ 428	\$ 926
Checking accounts and demand deposits	230,393	106,242	742,424
Time deposits	234,795	86,272	110,273
	<u>\$ 465,618</u>	<u>\$ 192,942</u>	<u>\$ 853,623</u>

A. The Group 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.

C. Time deposits were classified as cash and cash equivalents with original maturities of less than three months. The Group has no time deposits pledged to others.

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivatives	\$ -	\$ 571	\$ -
Debt instruments	3,500	3,500	3,500
	3,500	4,071	3,500
Valuation adjustment	(3,500)	(3,500)	-
	<u>\$ -</u>	<u>\$ 571</u>	<u>\$ 3,500</u>

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Financial liabilities held for trading			
Derivatives	\$ 138	\$ -	\$ 135

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

	Three months ended September 30, 2020	Three months ended September 30, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 6,868	\$ 2,635
Financial liabilities held for trading		
Derivatives	(8,945)	(19,371)
	(\$ 2,077)	(\$ 16,736)
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ -	\$ 23,007
Derivatives	21,725	12,369
Financial liabilities held for trading		
Derivatives	(41,935)	(58,234)
	(\$ 20,210)	(\$ 22,858)

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

	September 30, 2020		December 31, 2019	
Derivative	Contract Amount	Contract	Contract Amount	Contract
Financial Assets	(notional principal)	Period	(notional principal)	Period
	(in thousands)		(in thousands)	
Current items:				
Forward foreign exchange contracts	USD 430	2020.9~2020.10	JPY 109,340	2019.12~2020.1
Forward foreign exchange contracts	JPY 210,740	2020.9~2020.10	JPY 218,600	2019.12~2020.1
			September 30, 2019	
			Contract Amount	Contract
Derivative			(notional principal)	Period
Instruments Liabilities			(in thousands)	
Current items:				
Forward foreign exchange contracts			JPY 430,940	2019.9~2019.10

The Group 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

Items	September 30, 2020	December 31, 2019	September 30, 2019
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 352,978	\$ 352,978	\$ 352,978
Valuation adjustment	(190,711)	(183,238)	(167,003)
	<u>\$ 162,267</u>	<u>\$ 169,740</u>	<u>\$ 185,975</u>

A. The Group has elected to classify equity instruments 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 \$162,267, \$169,740 and \$185,975 as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

B. In response to the modified investment strategy, the Group sold \$0 and \$1,550 of unlisted stocks at fair value and resulted in cumulative gains on disposal of \$0 and \$50 for the three months ended September 30, 2019 and nine months ended September 30, 2019, respectively.

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

	Three months ended September 30, 2020	Three months ended September 30, 2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ -</u>	<u>\$ -</u>
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>(\$ 7,473)</u>	<u>\$ 42,680</u>
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ -</u>	<u>\$ 50</u>

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

(4) Financial assets at amortised cost

Items	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Escrow demand deposits	\$ 189,245	\$ 60,061	\$ 122,294
Pledged deposit	6,000	7,000	962,347
Investment in debt instrument without active market	49,000	49,000	49,000
Time deposits with original maturities of more than three months	-	135,446	138,760
	244,245	251,507	1,272,401
Less : Accumulated impairment	(49,000)	(49,000)	-
	<u>\$ 195,245</u>	<u>\$ 202,507</u>	<u>\$ 1,272,401</u>

- A. The Group entered into a concert cooperation agreement with a partner company in August 2018. The contract is effective from August 2018 to the completion of entertainment activities. The investment amount was \$50,000. The Group collected the return on the investment amounting to \$1,000 in January 2019 and recognised the impairment loss of \$49,000 for the year ended December 31, 2019 as the Group assessed that the cooperation has no future recoverable amount. The Group has carried out the relevant legal action.
- B. As at September 30, 2020, December 31, 2019 and September 30, 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 Group was \$195,245, \$202,507 and \$1,272,401, respectively.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable (including related parties)	\$ -	\$ -	\$ 243,397
Accounts receivable (including related parties)	\$ 2,148,919	\$ 2,359,233	\$ 3,298,238
Less : Allowance for uncollectible accounts	(6,031)	(7,668)	(7,788)
	<u>\$ 2,142,888</u>	<u>\$ 2,351,565</u>	<u>\$ 3,290,450</u>

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

	September 30, 2020		December 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ -	\$ 2,084,367	\$ -	\$ 2,348,091
Up to 30 days	-	31,582	-	8,813
31 to 60 days	-	22,111	-	359
61 to 90 days	-	4,769	-	568
Over 91 days	-	6,090	-	1,402
	<u>\$ -</u>	<u>\$ 2,148,919</u>	<u>\$ -</u>	<u>\$ 2,359,233</u>
	September 30, 2019			
	Notes receivable	Accounts receivable		
Not past due	\$ 243,397	\$ 3,153,268		
Up to 30 days	-	143,290		
31 to 60 days	-	210		
61 to 90 days	-	-		
Over 91 days	-	1,470		
	<u>\$ 243,397</u>	<u>\$ 3,298,238</u>		

The above ageing analysis was based on past due date.

- B. As of September 30, 2020, December 31, 2019, September 30, 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,148,919, \$2,359,233, \$3,541,635 and \$4,604,784, respectively.
- C. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had outstanding discounted notes receivable amounting to \$0, \$0 and \$86,839 (which include consolidated elimination amounting to \$86,839), respectively. However, in general, the Group does not expect that the drawers of the notes would refuse to pay for the notes at maturity. The liabilities arising on discounted notes receivable were presented as short-term borrowings.
- D. The Group does not hold any collateral as guarantee for notes and accounts receivable.
- E. As at September 30, 2020, December 31, 2019 and September 30, 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 Group's notes and accounts receivable were \$0, \$0 and \$243,397; \$2,142,888, \$2,351,565 and \$3,290,450, respectively.
- F. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

September 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,228,147	(\$ 81,633)	\$ 1,146,514
Work in progress	643,426	(57,732)	585,694
Finished goods	759,817	(228,500)	531,317
Commodities	76,750	(76,750)	-
	<u>\$ 2,708,140</u>	<u>(\$ 444,615)</u>	<u>\$ 2,263,525</u>
December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,366,158	(\$ 193,991)	\$ 1,172,167
Work in progress	553,389	(90,795)	462,594
Finished goods	868,722	(357,414)	511,308
Commodities	76,750	(76,750)	-
	<u>\$ 2,865,019</u>	<u>(\$ 718,950)</u>	<u>\$ 2,146,069</u>
September 30, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,961,955	(\$ 228,541)	\$ 1,733,414
Work in progress	1,279,141	(133,798)	1,145,343
Finished goods	852,597	(437,801)	414,796
Commodities	82,870	(82,870)	-
	<u>\$ 4,176,563</u>	<u>(\$ 883,010)</u>	<u>\$ 3,293,553</u>

The cost of inventories recognized as expense for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, were \$2,283,556, \$3,334,306, \$6,562,474 and \$10,737,657, respectively, including the amounts of \$119,703, \$99,621, \$274,335 and \$230,201, that the Group 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) Prepayments

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Prepayments to suppliers	\$ 144,655	\$ 7,762	\$ 302,527
Net input VAT	8,986	9,337	774,274
Others	<u>124,661</u>	<u>54,769</u>	<u>60,903</u>
	<u>\$ 278,302</u>	<u>\$ 71,868</u>	<u>\$ 1,137,704</u>

(8) Investments accounted for using the equity method

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Associates:			
KSCMMT	<u>\$ 3,687,672</u>	<u>\$ 3,638,064</u>	<u>\$ -</u>

A. In October 2019 and December 2019, KSCMMT increased its capital in cash. The Group did not participate in the capital increase proportionately to ownership, therefore, the shareholding ratio was decreased to 38.4%. The Group is the single largest shareholder of KSCMMT. Given that two other large shareholders (non-related parties) hold more shares than the Group and KSCMMT reelected its directors, which indicate that the Group has no current ability to direct the relevant activities of KSCMMT, the Group lost its control, but still has significant influence, over KSCMMT, refer to Note 6(29).

B. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	<u>Shareholding ratio</u>		Nature of relationship	Methods of measurement
		<u>September 30, 2020</u>	<u>December 31, 2019</u>		
KSCMMT	China	38.4%	38.4%	Strategic investment	Equity method

(b) The summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

	<u>KSCMMT</u>	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 7,716,417	\$ 6,925,069
Non-current assets	13,166,708	11,299,643
Current liabilities	(8,532,057)	(6,092,394)
Non-current liabilities	(2,747,755)	(2,658,193)
Total net assets	<u>\$ 9,603,313</u>	<u>\$ 9,474,125</u>
Share in associate's net assets	<u>\$ 3,687,672</u>	<u>\$ 3,638,064</u>

Statement of comprehensive income

	KSCMMT	
	Three months ended	Nine months ended
	September 30, 2020	September 30, 2020
Revenue	<u>\$ 2,533,874</u>	<u>\$ 6,476,825</u>
Income for the period from discontinued operations	<u>\$ 131,355</u>	<u>\$ 207,940</u>

- (c) The share of gain of associates and joint ventures accounted for using the equity method for the three months ended September 30, 2020 and nine months ended September 30, 2020 were \$50,433 and \$79,849, respectively, which were based on the financial statements of the investee companies for the same periods which were not reviewed by independent auditors.

(9) Property, plant and equipment

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Total
<u>At January 1</u>							
Cost	\$ 1,428,543	\$ 3,906,315	\$ 5,501,783	\$ 66,460	\$ 3,663,079	\$ 251,853	\$ 14,818,033
Accumulated depreciation and impairment	-	(1,845,766)	(4,898,400)	(53,670)	(3,430,520)	(231,566)	(10,459,922)
	<u>\$ 1,428,543</u>	<u>\$ 2,060,549</u>	<u>\$ 603,383</u>	<u>\$ 12,790</u>	<u>\$ 232,559</u>	<u>\$ 20,287</u>	<u>\$ 4,358,111</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 2,060,549	\$ 603,383	\$ 12,790	\$ 232,559	\$ 20,287	\$ 4,358,111
Additions	-	-	20,304	2,451	21,835	7,093	51,683
Disposals	-	-	(2,036)	-	-	(47)	(2,083)
Reclassifications	-	-	2,880	-	1,827	720	5,427
Depreciation charge	-	(111,104)	(157,171)	(4,367)	(47,878)	(6,940)	(327,460)
Net exchange differences	-	(1,469)	(2,200)	(13)	(35)	(11)	(3,728)
Closing net book amount as at September 30	<u>\$ 1,428,543</u>	<u>\$ 1,947,976</u>	<u>\$ 465,160</u>	<u>\$ 10,861</u>	<u>\$ 208,308</u>	<u>\$ 21,102</u>	<u>\$ 4,081,950</u>
<u>At September 30</u>							
Cost	\$ 1,428,543	\$ 3,901,200	\$ 5,486,051	\$ 68,655	\$ 3,674,061	\$ 258,690	\$ 14,817,200
Accumulated depreciation and impairment	-	(1,953,224)	(5,020,891)	(57,794)	(3,465,753)	(237,588)	(10,735,250)
	<u>\$ 1,428,543</u>	<u>\$ 1,947,976</u>	<u>\$ 465,160</u>	<u>\$ 10,861</u>	<u>\$ 208,308</u>	<u>\$ 21,102</u>	<u>\$ 4,081,950</u>

2019

							Construction in progress and equipment 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	\$ 7,524,465	\$ 7,212,313	\$ 72,305	\$4,682,095	\$ 341,469	\$ 170,187	\$ 21,431,377
Accumulated depreciation and impairment	-	(2,025,767)	(4,925,982)	(49,297)	(3,495,367)	(241,919)	-	(10,738,332)
	<u>\$1,428,543</u>	<u>\$ 5,498,698</u>	<u>\$ 2,286,331</u>	<u>\$ 23,008</u>	<u>\$1,186,728</u>	<u>\$ 99,550</u>	<u>\$ 170,187</u>	<u>\$ 10,693,045</u>
Opening net book amount as at January 1	\$1,428,543	\$ 5,498,698	\$ 2,286,331	\$ 23,008	\$1,186,728	\$ 99,550	\$ 170,187	\$ 10,693,045
Additions	-	6,331	30,731	3,513	27,630	5,050	2,732,919	2,806,174
Disposals	-	-	(108)	(454)	(479)	(4,195)	-	(5,236)
Reclassifications	-	(89,017)	26,160	-	(298,396)	428	1,808,178	1,447,353
Depreciation charge	-	(245,335)	(295,734)	(7,331)	(151,179)	(27,620)	-	(727,199)
Net exchange differences	-	(86,265)	(44,023)	(228)	(10,786)	(1,444)	(175,398)	(318,144)
Closing net book amount as at September 30	<u>\$1,428,543</u>	<u>\$ 5,084,412</u>	<u>\$ 2,003,357</u>	<u>\$ 18,508</u>	<u>\$ 753,518</u>	<u>\$ 71,769</u>	<u>\$ 4,535,886</u>	<u>\$ 13,895,993</u>
<u>At September 30</u>								
Cost	\$1,428,543	\$ 7,329,495	\$ 7,200,923	\$ 74,032	\$4,390,172	\$ 338,860	\$ 4,535,886	\$ 25,297,911
Accumulated depreciation and impairment	-	(2,245,083)	(5,197,566)	(55,524)	(3,636,654)	(267,091)	-	(11,401,918)
	<u>\$1,428,543</u>	<u>\$ 5,084,412</u>	<u>\$ 2,003,357</u>	<u>\$ 18,508</u>	<u>\$ 753,518</u>	<u>\$ 71,769</u>	<u>\$ 4,535,886</u>	<u>\$ 13,895,993</u>

- A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019
Amount capitalised	\$ -	\$ 19,357
Range of the interest rates for capitalisation	-	2.20%~5.58%
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Amount capitalised	\$ -	\$ 50,768
Range of the interest rates for capitalisation	-	2.00%~5.58%

- B. As of September 30, 2020, December 31, 2019 and September 30, 2019, the accumulated impairment of property, plant and equipment was \$256,272, \$258,433 and \$261,135, respectively, and the reportable segment was in Mainland China.
- C. The above property, plant and equipment were used for the operations of the Group and were not available for lease.
- D. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings and other equipment. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and parts of lease are not allowed to be sublet, leased, sold or any ways for others to use.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings and multifunction printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 29,822	\$ 30,709	\$ 241,059
Buildings	-	89	47,394
Other equipment	156	198	212
	<u>\$ 29,978</u>	<u>\$ 30,996</u>	<u>\$ 288,665</u>

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 204	\$ 1,402
Buildings	-	5,549
Other equipment	14	14
	<u>\$ 218</u>	<u>\$ 6,965</u>
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 629	\$ 4,281
Buildings	89	14,117
Other equipment	42	42
	<u>\$ 760</u>	<u>\$ 18,440</u>

D. For the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, the additions to right-of-use assets were \$0, \$21,024, \$0 and \$21,940, respectively.

E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1	\$ 453
Expense on short-term lease contracts	9	5,223
Gain arising from lease modification	-	110
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2	\$ 1,553
Expense on short-term lease contracts	26	12,358
Gain arising from lease modification	-	110

F. For the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases were \$23, \$9,600, \$69 and \$25,610, respectively.

(11) Intangible assets

	2020				
	Computer Software	Core Technology	Goodwill		Total
<u>At January 1</u>					
Cost	\$ 88,057	\$ 47,000	\$ 8,056	\$	143,113
Accumulated amortisation and impairment	(75,384)	(35,642)	-	(	111,026)
	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$</u>	<u>32,087</u>
At January 1	\$ 12,673	\$ 11,358	\$ 8,056	\$	32,087
Additions-acquired separately	3,045	-	-		3,045
Prepayment for equipment transferred in	500	-	-		500
Amortisation charge	(7,135)	(3,525)	-	(	10,660)
Net exchange differences	(2)	-	-	(	2)
At September 30	<u>\$ 9,081</u>	<u>\$ 7,833</u>	<u>\$ 8,056</u>	<u>\$</u>	<u>24,970</u>
<u>At September 30</u>					
Cost	\$ 91,594	\$ 47,000	\$ 8,056	\$	146,650
Accumulated amortisation and impairment	(82,513)	(39,167)	-	(	121,680)
	<u>\$ 9,081</u>	<u>\$ 7,833</u>	<u>\$ 8,056</u>	<u>\$</u>	<u>24,970</u>
	2019				
	Computer Software	Core Technology	Goodwill	Licenses and Franchise	Total
<u>At January 1</u>					
Cost	\$ 135,585	\$ 67,622	\$ 8,056	\$ 9,200	\$ 220,463
Accumulated amortisation and impairment	(87,104)	(33,233)	-	(8,280)	(128,617)
	<u>\$ 48,481</u>	<u>\$ 34,389</u>	<u>\$ 8,056</u>	<u>\$ 920</u>	<u>\$ 91,846</u>
At January 1	\$ 48,481	\$ 34,389	\$ 8,056	\$ 920	\$ 91,846
Additions-acquired separately	7,274	-	-	-	7,274
Amortisation charge	(25,952)	(8,736)	-	(920)	(35,608)
Net exchange differences	(299)	(304)	-	-	(603)
At September 30	<u>\$ 29,504</u>	<u>\$ 25,349</u>	<u>\$ 8,056</u>	<u>\$ -</u>	<u>\$ 62,909</u>
<u>At September 30</u>					
Cost	\$ 141,259	\$ 67,059	\$ 8,056	\$ 9,200	\$ 225,574
Accumulated amortisation and impairment	(111,755)	(41,710)	-	(9,200)	(162,665)
	<u>\$ 29,504</u>	<u>\$ 25,349</u>	<u>\$ 8,056</u>	<u>\$ -</u>	<u>\$ 62,909</u>

A. Details of amortisation on intangible assets are as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019
Cost of sales	\$ 125	\$ 3,499
General and administrative expenses	1,182	6,505
Research and development expenses	1,670	1,210
	<u>\$ 2,977</u>	<u>\$ 11,214</u>
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cost of sales	\$ 402	\$ 10,457
General and administrative expenses	6,238	20,601
Research and development expenses	4,020	4,550
	<u>\$ 10,660</u>	<u>\$ 35,608</u>

B. Goodwill is allocated as follows to the Group's cash-generating units:

	September 30, 2020	December 31, 2019	September 30, 2019
CMVT	<u>\$ 8,056</u>	<u>\$ 8,056</u>	<u>\$ 8,056</u>

Goodwill is allocated to the cash-generating units identified by the Group. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use future cash flow projections covering a five-year period. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The calculation of value in use mainly considers the operating profit margin, growth rate and discount rate. Management determined gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

(12) Other assets

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Import VAT	\$ -	\$ -	\$ 10,554
Temporary payments	5,109	8,958	20,541
Payments on behalf of others	1,407	3,052	3,305
Others	6,434	6,272	-
	<u>\$ 12,950</u>	<u>\$ 18,282</u>	<u>\$ 34,400</u>

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Non-Current</u>			
Prepayments for technical royalty (Note)	\$ -	\$ -	\$ 764,563
Refundable deposits	8,790	8,790	18,729
Others	125	334	17,834
	<u>\$ 8,915</u>	<u>\$ 9,124</u>	<u>\$ 801,126</u>

Note: Refer to details on Note 9 (4).

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 1,501,159	0.68%~4.80%	-
Bank secured borrowings	835,316	0.85%~2.57%	Land, buildings and structures
Other short-term borrowings	74,561	3.85%~4.11%	Machinery and factory equipment
	<u>\$ 2,411,036</u>		

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 2,422,816	0.63%~4.50%	-
Bank secured borrowings	319,775	0.82%~2.67%	Land, buildings and structures
Other short-term borrowings	45,834	4.11%	Machinery and factory equipment
	<u>\$ 2,788,425</u>		

<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 4,688,392	0.31%~6.09%	-
Bank secured borrowings	568,865	0.63%~2.67%	Land, buildings and structures
Bank secured borrowings - Transferred receivables	86,839	3.20%	Notes receivable
	<u>\$ 5,344,096</u>		

- A. Information about interest expense recognised in profit or loss is provided in Note 6(24).
- 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 set 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. In November 2019, March 2020 and September 2020, the Group was financed by IBT Leasing Co., Ltd. and Robina Finance & Leasing Corp. through sales with buyback agreements. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group issued unexpired notes in the amounts of \$77,952, \$47,718 and \$0 for the aforementioned transaction, respectively.

(14) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Payables for salaries or bonuses	\$ 120,435	\$ 175,118	\$ 238,828
Payables for annual leave	37,695	39,442	39,192
Payables for insurance premiums	12,906	14,379	22,419
Payables for purchase of equipment	23,339	9,925	189,883
Payables for interest	4,522	9,233	16,259
Accrued taxes payable	6,253	7,539	18,077
Payables for purchase of land or buildings	-	-	155,203
Others	147,683	167,462	299,614
	<u>\$ 352,833</u>	<u>\$ 423,098</u>	<u>\$ 979,475</u>

(15) Long-term borrowings

Type of borrowings	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date (December 17, 2020).	\$ 200,000	\$ 200,000	\$ 200,000
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	81,490	-	-
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.	74,110	-	-
Unsecured borrowings - Syndicated loan: Lead bank - Bank of Taiwan - Repayable quarterly on interest from September 23, 2016; repayable from March 23, 2019 to September 23, 2021.	-	-	2,558,593
Unsecured borrowings - Repayable monthly on interest from November 15, 2018; repayable from November 6, 2019 to November 14, 2023. (Note)	-	-	1,652,522
	355,600	200,000	4,411,115
Less: Current portion	(203,242)	(200,000)	(2,575,993)
	<u>\$ 152,358</u>	<u>\$ -</u>	<u>\$ 1,835,122</u>
Interest rate range	<u>2.57%</u>	<u>1.50%</u>	<u>1.50%~4.75%</u>

Note: It consists of bank borrowings of KSCMMT. Because of the Group losing its control over KSCMMT, KSCMMT is no longer included in the Group's consolidated financial statements.

- A. Information on interest expense recognised in profit or loss is provided in Note 6(24).
- B. In September 2016, KSCMMT signed the syndicated loan agreement with Bank of Taiwan and other banks for the purpose of enriching long-term operating capital. CMMT, Hangzhou Jinjiang Group Co., Ltd. (“HJ”) and Zhejiang Renyuan Import & Export Co., Ltd. jointly stood for KSCMMT’s credit line.

The above long-term bank loan agreement requires the maintenance of certain financial ratios based on the Group’s annual financial statements. The related restrictions are as follows:

- (a) Current ratio: at least 100%;
- (b) Debt ratio: no more than 100%;
- (c) Interest coverage ratio: at least 3; and
- (d) Tangible net worth: at least \$10 billion.

During 2018 and 2017, the Group breached certain terms of its long-term loan agreements, which are primarily related to the interest coverage ratio of the Group. The management had applied for an exemption when the ratios were breached, and the Group has reach an agreement for the exemption with the bank for year 2017. In addition, the bank has informed KSCMMT to raise capital to repay the syndicated loan and settle the remaining principal by December 23, 2019. KSCMMT agreed to raise capital to repay the principal and interest of the syndicated loan. The loan was classified as a current liability as at September 30, 2019, in the amount of \$2,558,593.

- C. Due to the difficulty of repayment, the Group started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to Note 6(13) for details.

(16) Pensions

- A. The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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. NBCMMT, KSCMMT, KSCMS, XJHM and KSMF makes monthly contributions based on certain percentages of the basic salaries of their employees.
- C. The pension costs under defined contribution pension plans of the Group for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, were \$10,074, \$19,498, \$30,618 and \$62,189, respectively.

(17) Share capital

A. As of September 30, 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 September 30)	<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 September 30, 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 stipulated otherwise 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.

(18) 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				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 803,494	\$ 6,776	\$ 133,756	\$ 944,026
Changes in ownership interests in subsidiaries	-	-	(5,084)	(5,084)
September 30	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 938,942</u>
2019				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total
At January 1 (and September 30)	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 41,419</u>	<u>\$ 851,689</u>

(19) 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 June 28, 2019, the shareholders resolved not to appropriate dividends and provisioned special reserves amounting to \$201,306.

E. On April 30, 2020, the shareholders resolved not to appropriate dividends and provisioned special reserves amounting to \$229,331.

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

<u>Three months ended September 30, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,407,894	\$ 981,500	\$ 2,389,394
Inter-segment revenue	924,936	22,859	947,795
Elimination of internal transaction	(924,936)	(22,859)	(947,795)
Revenue from external customer	<u>\$ 1,407,894</u>	<u>\$ 981,500</u>	<u>\$ 2,389,394</u>
<u>Three months ended September 30, 2019</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,083,603	\$ 2,360,570	\$ 3,444,173
Inter-segment revenue	771,492	105,662	877,154
Elimination of internal transaction	(771,492)	(105,662)	(877,154)
Revenue from external customer	<u>\$ 1,083,603</u>	<u>\$ 2,360,570</u>	<u>\$ 3,444,173</u>
<u>Nine months ended September 30, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 4,288,655	\$ 2,406,876	\$ 6,695,531
Inter-segment revenue	2,029,573	103,961	2,133,534
Elimination of internal transaction	(2,029,573)	(103,961)	(2,133,534)
Revenue from external customer	<u>\$ 4,288,655</u>	<u>\$ 2,406,876</u>	<u>\$ 6,695,531</u>
<u>Nine months ended September 30, 2019</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 3,247,813	\$ 7,931,980	\$ 11,179,793
Inter-segment revenue	2,783,269	563,611	3,346,880
Elimination of internal transaction	(2,783,269)	(563,611)	(3,346,880)
Revenue from external customer	<u>\$ 3,247,813</u>	<u>\$ 7,931,980</u>	<u>\$ 11,179,793</u>

B. Contract liabilities

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Contract liabilities –				
sale of goods	<u>\$ 57,331</u>	<u>\$ 22,169</u>	<u>\$ 14,357</u>	<u>\$ 33,760</u>

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

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	\$ -	\$ 202
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	\$ 22,117	\$ 4,142

(21) Interest income

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
Interest income from bank deposits	\$ 1,387	\$ 6,542
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
Interest income from bank deposits	\$ 3,208	\$ 24,911

(22) Other income

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
Rental income	\$ 317	\$ 404
Royalty income	13,550	-
Dividend income	712	712
Government grants	-	2,790
Others	1,753	13,533
	<u>\$ 16,332</u>	<u>\$ 17,439</u>
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
Rental income	\$ 952	\$ 1,218
Royalty income	41,029	-
Dividend income	712	712
Government grants	-	8,520
Disgorgement income	-	11,033
Technical service income	-	19,700
Others	20,051	23,546
	<u>\$ 62,744</u>	<u>\$ 64,729</u>

(23) Other gains and losses

	<u>Three months ended</u> <u>September 30, 2020</u>	<u>Three months ended</u> <u>September 30, 2019</u>
Gain (losses) on disposals of property, plant and equipment	\$ 1,994	(\$ 4,797)
Gains arising from lease modification	-	110
Foreign exchange losses	(8,211)	(101,598)
Net losses on financial assets or liabilities at fair value through profit or loss	(2,077)	(16,736)
Compensation losses	-	104
Others	1,939	(5,807)
	<u>(\$ 6,355)</u>	<u>(\$ 128,724)</u>
	<u>Nine months ended</u> <u>September 30, 2020</u>	<u>Nine months ended</u> <u>September 30, 2019</u>
Gain (losses) on disposals of property, plant and equipment	\$ 1,947	(\$ 5,034)
Gains arising from lease modification	-	110
Foreign exchange losses	(15,315)	(167,631)
Net losses on financial assets or liabilities at fair value through profit or loss	(20,210)	(22,858)
Compensation losses	-	(27,255)
Others	(567)	(13,170)
	<u>(\$ 34,145)</u>	<u>(\$ 235,838)</u>

(24) Finance costs

	<u>Three months ended</u> <u>September 30, 2020</u>	<u>Three months ended</u> <u>September 30, 2019</u>
Interest expense - bank borrowings	\$ 16,771	\$ 79,332
Interest expense - lease liabilities	1	453
	<u>\$ 16,772</u>	<u>\$ 79,785</u>
	<u>Nine months ended</u> <u>September 30, 2020</u>	<u>Nine months ended</u> <u>September 30, 2019</u>
Interest expense - bank borrowings	\$ 53,258	\$ 238,219
Interest expense - lease liabilities	2	1,533
	<u>\$ 53,260</u>	<u>\$ 239,752</u>

(25) Expenses by nature

	Three months ended September 30, 2020	Three months ended September 30, 2019
Employee benefit expense	\$ 257,949	\$ 432,870
Depreciation charges on property, plant and equipment	108,158	224,372
Depreciation charges on right-of-use assets	218	6,965
Amortisation charges on intangible assets	2,977	11,214
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Employee benefit expense	\$ 720,820	\$ 1,302,630
Depreciation charges on property, plant and equipment	327,460	727,199
Depreciation charges on right-of-use assets	760	18,440
Amortisation charges on intangible assets	10,660	35,608

(26) Employee benefit expense

	Three months ended September 30, 2020	Three months ended September 30, 2019
Pension costs	\$ 10,074	\$ 19,498
Short-term employee benefits	247,875	413,372
	<u>\$ 257,949</u>	<u>\$ 432,870</u>
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Pension costs	\$ 30,618	\$ 62,189
Short-term employee benefits	690,202	1,240,441
	<u>\$ 720,820</u>	<u>\$ 1,302,630</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 nine months ended September 30, 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.

(27) Income tax

A. Income tax expense (benefit)

	Three months ended <u>September 30, 2020</u>	Three months ended <u>September 30, 2019</u>
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	<u>181</u>	<u>-</u>
Total current tax	<u>181</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>-</u>	<u>(182)</u>
Total deferred tax	<u>-</u>	<u>(182)</u>
Income tax expense (benefit)	<u>\$ 181</u>	<u>(\$ 182)</u>
	Nine months ended <u>September 30, 2020</u>	Nine months ended <u>September 30, 2019</u>
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	<u>894</u>	<u>2,014</u>
Total current tax	<u>894</u>	<u>2,014</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>-</u>	<u>20,853</u>
Total deferred tax	<u>-</u>	<u>20,853</u>
Income tax expense	<u>\$ 894</u>	<u>\$ 22,867</u>

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

(28) Earnings (loss) per share

<u>Three months ended September 30, 2020</u>		
	Weighted average number of ordinary shares outstanding	Earnings per share
<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 3,360 665,729	\$ 0.01
<u>Three months ended September 30, 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 parent	(\$ 247,647) 665,729	(\$ 0.37)
<u>Nine months ended September 30, 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 parent	(\$ 209,865) 665,729	(\$ 0.32)
<u>Nine months ended September 30, 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 parent	(\$ 643,649) 665,729	(\$ 0.97)

(29) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

(a) In October 2019, KSCMMT increased its capital in cash. The Group did not participate in the capital increase proportionately to ownership, therefore the shareholding ratio was decreased from 49.5% to 45.15%. The transaction increased non-controlling interest by \$780,235 and increased equity attributable to owners of parent by \$92,337.

The effect of changes in interest in KSCMMT on the equity attributable to owners of the parent for the year ended December 31, 2019 is shown below:

	Year ended December 31, 2019
Cash	\$ 872,572
Increase in the carrying amount of non-controlling interest	(780,235)
Capital surplus - recognition of changes in ownership interest in subsidiaries	\$ 92,337

(b) In July 2020, CMVT increased its capital by \$84,000 through issuing new shares. The Group subscribed all the shares, therefore, the shareholding ratio was increased by 18.09%. The transaction increased non-controlling interest by \$5,084 and decreased equity attributable to owners of parent by \$5,084.

The effect of changes in interest in CMVT on the equity attributable to owners of the parent for the nine months ended September 30, 2020 is shown below:

	Nine months ended September 30, 2020
Cash	\$ -
Increase in the carrying amount of non-controlling interest	(5,084)
Capital surplus - recognition of changes in ownership interest in subsidiaries	(\$ 5,084)

B. Disposal of subsidiaries

In December 2019, KSCMMT increased its capital in cash. The Group did not participate in the capital increase proportionately to ownership, therefore the shareholding ratio was decreased from 45.15% to 38.4%. Additionally, because of the reelection of directors of KSCMMT, the Group lost its control over KSCMMT.

(a) Details of the carrying amount of those assets and liabilities that KSCMMT lost its control are as follows:

	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 426,496
Current financial assets at amortised cost	1,110,449
Notes receivable	143,489
Accounts receivable	1,684,847
Accounts receivable - related parties	229,104
Other receivables	13,291
Inventories	1,207,810
Allowance for inventory valuation losses	(128,674)
Prepayments	463,537
Other current assets	208,446
Property, plant and equipment	10,719,414
Right-of-use assets	257,580
Intangible assets	28,743
Deferred tax assets	15,051
Prepayments for equipment	6,059
Other non-current assets	36,803
Short-term borrowings	(1,636,849)
Accounts payable	(856,200)
Accounts payable - related parties	(1,034,793)
Other payables	(790,942)
Current lease liabilities	(18,028)
Current portion of long-term bank loans	(1,657,728)
Other current liabilities	(12,571)
Non-current lease liabilities	(37,519)
Long-term bank loans	(2,444,766)
Other non-current liabilities	(175,908)
The carrying amount of net assets of subsidiaries at the date when control is lost	<u>\$ 7,757,141</u>

(b) Gains on disposal of subsidiaries

	<u>KSCMMT</u>
Fair value of the remaining investments	\$ 3,642,799
Less: Carrying amount of the investment at the date when control is lost	(3,502,349)
Gains on disposal of investments	<u>\$ 140,450</u>

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Purchase of property, plant and equipment	\$ 51,683	\$ 2,806,174
Add: Opening balance of payable on equipment	9,925	375,950
Opening balance of payable for purchase of land or buildings	-	12,709
Less: Discount of payable on equipment	- (	131,761)
Ending balance of payable on equipment	(23,339) (	189,883)
Ending balance of payable for purchase of land or buildings	- (	155,203)
Cash paid	<u>\$ 38,269</u>	<u>\$ 2,717,986</u>

B. Investing activities with no cash flow effects

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Amount written off due to uncollectible account	<u>\$ 1,586</u>	<u>\$ -</u>
Prepayments for equipment transferred to property, plant and equipment	<u>\$ 5,427</u>	<u>\$ 1,447,353</u>
Prepayments for equipment transferred to intangible assets	<u>\$ 500</u>	<u>\$ -</u>

(31) Changes in liabilities from financing activities

	At January 1, 2020	Changes in cash flow from financing activities	Effect of foreign exchange	At September 30, 2020
Short-term borrowings	\$ 2,788,425	(\$ 350,388)	(\$ 27,001)	\$ 2,411,036
Lease liabilities	200	(41)	-	159
Long-term borrowings	200,000	155,600	-	355,600
Guarantee deposits received	<u>40</u>	<u>-</u>	<u>-</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 2,988,665</u>	<u>(\$ 194,829)</u>	<u>(\$ 27,001)</u>	<u>\$ 2,766,835</u>

	At January 1, 2019	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At September 30, 2019
Short-term borrowings	\$ 5,441,325	(\$ 10,673)	\$ -	(\$ 86,556)	\$ 5,344,096
Lease liabilities	58,020	(11,719)	5,078	(1,532)	49,847
Long-term borrowings	3,373,240	1,103,203	-	(65,328)	4,411,115
Guarantee deposits received	49	82	-	-	131
Liabilities from financing activities-gross	<u>\$ 8,872,634</u>	<u>\$ 1,080,893</u>	<u>\$ 5,078</u>	<u>(\$ 153,416)</u>	<u>\$ 9,805,189</u>

(32) Government grants

KSCMMT acquired government subsidy for the amount of RMB 48,380 thousand dollars in January 2018. The government grant is from the Kunshan government to encourage enterprises to set up factories in the Kunshan Development Zone. After the establishment of a factory is completed, grants are granted. It is an asset-related government grant, which is recognised as deferred revenue. As of December 31, 2019 and September 30, 2019, the balance of this deferred revenue is \$0 and \$191,321 (which is shown as “other current liabilities” amounting to \$10,933 and “other non-current liabilities” amounting to \$180,388), respectively. For the three months ended September 30, 2019 and nine months ended September 30, 2019, the revenue realized based on the service life of the factory were \$2,790 and \$8,520, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Hangzhou Jinjiang Group Co., Ltd ("HJ")	Affiliate (Note 1)
Innolux Corporation ("Innolux")	Legal person director of the Company (Note 2)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliate (Note 3)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliate (Note 3)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliate (Note 3)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliate (Note 3)
Ningbo Innolux Display Ltd. ("Ninbo Innolux Display")	Affiliate (Note 3)
Kunshan Chimei Materials Technology Co., Ltd. ("KSCMMT")	Associate (Note 4)
Shenzhen SAPO Photoelectric Co., Ltd. ("SAPO")	Affiliate (Note 5)

Note 1: HJ originally held a 47.97% equity interest in KSCMMT, and subsequently transferred its ownership to Tinglin (Kunshan) Intelligent Manufacturing Industry Investment Partnership Enterprise Co. Ltd. on December 19, 2018. However, Tinglin (Kunshan) Intelligent Manufacturing Industry Investment Partnership Enterprise Co. Ltd.'s partner is Zhejiang Hengjie Co., Ltd. which is a subsidiary owned by HJ. Therefore, HJ is still considered the Group's related party.

Note 2: It had served as director of the Company from April 26, 2019 until May 6, 2020.

Note 3: It is the subsidiary owned by Innolux.

Note 4: On October 15, 2019, the former shareholder, Zhejiang Renyuan Import & Export Co., Ltd, increased its investment in KSCMMT in the amount of USD 28.5 million, the shareholding ratio of the Group was decreased from 49.5% to 45.15%. On December 17, 2019, Hefei Northtown Optoelectronic Industry Fund No.2 (LLP) increased its investment in KSCMMT in the amount of USD 57 million, causing the Group's shareholding ratio to decrease to 38.4%. In addition, KSCMMT's directors have been reelected on December 24, 2019. As a result, the Group lost its control over KSCMMT. However, the Group still has significant influence over KSCMMT, thus KSCMMT is considered an associate of the Group.

Note 5: During the transaction, the General Manager of SAPO, Huang Yuan, has served as Vice Chairman of KSCMMT.

(2) Significant related party transactions

A. Operating revenue

	Three months ended September 30, 2020	Three months ended September 30, 2019
Sales of goods:		
Innolux	\$ -	\$ 623,835
Ningbo Innolux	-	488,398
Foshan Innolux	-	352,820
Affiliates	-	236,328
	<u>\$ -</u>	<u>\$ 1,701,381</u>
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Sales of goods:		
Innolux	\$ 907,436	\$ 1,077,176
Ningbo Innolux	482,633	821,150
Foshan Innolux	449,232	540,717
Affiliates	129,704	583,436
	<u>\$ 1,969,005</u>	<u>\$ 3,022,479</u>

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

B. Purchases

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
Purchases of goods:		
Affiliates	<u>\$ -</u>	<u>\$ 116,448</u>
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
Purchases of goods:		
Affiliates	<u>\$ -</u>	<u>\$ 588,547</u>

Because there is no similar counterparty or transaction, the purchase prices and payment terms with related parties are conducted by mutual agreement.

C. Receivables from related parties

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable:			
Innolux	\$ -	\$ 671,606	\$ 459,636
Foshan Innolux	-	478,716	317,131
Ningbo Innolux	-	534,302	438,284
Associates	452	55,122	-
Affiliates	<u>-</u>	<u>193,864</u>	<u>279,704</u>
	<u>\$ 452</u>	<u>\$ 1,933,610</u>	<u>\$ 1,494,755</u>
Other receivables:			
KSCMMT	\$ 52,950	\$ 54,554	\$ -
Affiliates	<u>-</u>	<u>-</u>	<u>269</u>
	52,950	54,554	269
Less: Allowance for credit	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,950</u>	<u>\$ 54,554</u>	<u>\$ 269</u>

D. Payables to related parties

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts payable:			
SAPO	\$ -	\$ -	\$ 253,856
Associates	<u>1,201</u>	<u>1,240</u>	<u>-</u>
	<u>\$ 1,201</u>	<u>\$ 1,240</u>	<u>\$ 253,856</u>

E. Contract liabilities

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
KSCMMT	<u>\$ 27,101</u>	<u>\$ 13,928</u>	<u>\$ -</u>

F. Other revenue

	<u>Three months ended September 30, 2020</u>	<u>Three months ended September 30, 2019</u>
KSCMMT	<u>\$ 13,550</u>	<u>\$ -</u>
	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>
KSCMMT	<u>\$ 41,029</u>	<u>\$ -</u>

G. Loans to related parties (shown as “other receivables – related parties”)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Outstanding balance			
KSCMMT	<u>\$ 198,151</u>	<u>\$ 750,837</u>	<u>\$ -</u>

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’s due date was December 31, 2020.

H. Endorsements and guarantees provided by the related parties to the Group:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
HJ	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,176,953</u>

I. Endorsements and guarantees provided by the Group to the related parties:

	<u>September 30, 2020</u>		<u>December 31, 2019</u>	
	<u>Outstanding endorsements / guarantee amount</u>	<u>Actual amount drawn down</u>	<u>Outstanding endorsements / guarantee amount</u>	<u>Actual amount drawn down</u>
KSCMMT	<u>\$ 3,415,926</u>	<u>\$ 2,894,086</u>	<u>\$ 3,444,732</u>	<u>\$ 2,342,259</u>
	<u>September 30, 2019</u>			
	<u>Outstanding endorsements / guarantee amount</u>	<u>Actual amount drawn down</u>		
KSCMMT	<u>\$ -</u>	<u>\$ -</u>		

(3) Key management compensation

	Three months ended September 30, 2020	Three months ended September 30, 2019
Salaries and other short-term employee benefits	\$ 6,491	\$ 6,650
Post-employment benefits	78	116
	<u>\$ 6,569</u>	<u>\$ 6,766</u>
	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Salaries and other short-term employee benefits	\$ 20,907	\$ 20,967
Post-employment benefits	294	300
	<u>\$ 21,201</u>	<u>\$ 21,267</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2020	December 31, 2019	September 30, 2019	
Demand deposit (Note)	\$ 189,245	\$ 60,061	\$ 122,294	An escrow account for debt negotiation procedures
Pledged deposits (Note)	6,000	7,000	962,347	Provided as collateral for the letters of credit for purchases of raw materials
Notes receivable	-	-	86,839	Short-term loan resulting from notes receivable factoring
Property, plant and equipment - land	1,428,543	1,428,543	1,428,543	Short-term loan and provided as collateral for credit line
Property, plant and equipment - buildings and structures	1,791,372	1,888,751	1,921,211	Short-term loan and provided as collateral for credit line
Property, plant and equipment - machinery and equipment	132,116	132,525	-	Short-term loan
Property, plant and equipment - factory equipment	79,659	23,435	-	Short-term loan
Property, plant and equipment - computer equipment	5,122	-	-	Short-term loan
	<u>\$ 3,632,057</u>	<u>\$ 3,540,315</u>	<u>\$ 4,521,234</u>	

Note: It is shown as “current 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 Group as of September 30, 2020, December 31, 2019 and September 30, 2019, were as follows:

- (1) As of September 30, 2020, December 31, 2019 and September 30, 2019, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousand)		
	September 30, 2020	December 31, 2019	September 30, 2019
JPY	\$ 2,095,475	\$ 1,926,574	\$ 4,211,572
USD	192	-	13,988
RMB	-	-	40,589

- (2) As of September 30, 2020, December 31, 2019 and September 30, 2019, the amounts of guarantees provided by financial institutions for the purpose of importing goods were \$74,304, \$71,575 and \$75,513, respectively.
- (3) As of September 30, 2020, December 31, 2019 and September 30, 2019, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$2,221, \$982 and \$186,269, respectively.
- (4) The technology licensing agreement with Nitto Denko Corporation is for up to JPY 15 billion and was signed by KSCMMT, Hangzhou Jinjiang Group, which is the strategic partner and major shareholder of KSCMMT, and SAPO, which is an investee of Hangzhou Jinjiang Group. KSCMMT will have the rights to three 2,500 mm production lines, of which the total value will be JPY 7.5 billion. The total contract price is JPY 15 billion. As of September 30, 2020, December 31, 2019 and September 30, 2019, KSCMMT's unpaid amount were JPY 2.5 billion, JPY 4.5 billion and JPY 4.5 billion, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On August 26, 2020, the Board of Directors of the Company resolved to increase the capital of CMVT through issuing new shares for the purpose of introducing strategic investors. The total amount of capital increase was \$220,000. Also, the Board agreed the Company and its wholly-owned subsidiary, CHI, to waive its rights to participate in the capital increase. On October 6, 2020, the Board of Directors of CMVT approved the capital increase of \$220,000 and the issuance of 22 million shares with a par value of \$10 (in dollars) per share. All capital payment and verification were completed on October 30, 2020 but the registration has not yet been completed as of November 6, 2020. The Group's shareholding ratio was decreased from 97.42% to 23.29% as a result of the waiver of its rights to participate in the capital increase of CMVT. Therefore, the Group lost control, but still has significant influence.

12. OTHERS

(1) Capital management

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

The key management personnel of the Group 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 Group may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

The gearing ratios as at September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Total liabilities	\$ 4,448,564	\$ 4,538,744	\$ 12,571,762
Total assets	\$ 13,863,281	\$ 14,213,507	\$ 25,785,240
Gearing ratio	32%	32%	49%

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 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	\$ -	\$ 571	\$ 3,500
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	\$ 162,267	\$ 169,740	\$ 185,975
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	\$ 465,618	\$ 192,942	\$ 853,623
Financial assets at amortised cost	195,245	202,507	1,272,401
Notes receivable	-	-	243,397
Accounts receivable	2,142,888	2,351,565	3,290,450
Other receivables	305,485	863,419	76,902
Refundable deposits	8,790	8,790	18,729
	<u>\$ 3,118,026</u>	<u>\$ 3,619,223</u>	<u>\$ 5,755,502</u>

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ 135</u>
Financial liabilities at amortised cost			
Short-term borrowings	\$ 2,411,036	\$ 2,788,425	\$ 5,344,096
Accounts payable	1,240,288	1,073,248	1,554,477
Other payables	352,833	423,098	979,475
Long-term borrowings (including current portion)	355,600	200,000	4,411,115
Guarantee deposits received	<u>40</u>	<u>40</u>	<u>131</u>
	<u>\$ 4,359,797</u>	<u>\$ 4,484,811</u>	<u>\$ 12,289,294</u>
Lease liabilities	<u>\$ 159</u>	<u>\$ 200</u>	<u>\$ 49,847</u>

B. Financial risk management policies

- (a) The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group 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 minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Group 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 Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
- (c) The Group 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 Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries 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 Group manages its foreign currency risk and interest rate 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 Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets and liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2020		
	Foreign currency		
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 98,306	29.10	\$ 2,860,705
JPY:NTD	241,030	0.276	66,524
RMB:NTD	46,402	4.269	198,090
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	45,552	29.10	1,325,563
JPY:NTD	6,450,900	0.276	1,780,448
RMB:NTD	1,186	4.269	5,063
EUR:NTD	113	34.15	3,859

	December 31, 2019		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 103,040	29.98	\$ 3,089,139
JPY:NTD	70,790	0.276	19,538
RMB:NTD	135,100	4.305	581,606
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	52,384	29.98	1,570,472
JPY:NTD	6,302,193	0.276	1,739,405
RMB:NTD	595	4.305	2,561
	September 30, 2019		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 99,081	31.04	\$ 3,075,474
JPY:NTD	184,120	0.2878	52,990
RMB:NTD	155,412	4.35	676,042
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	159,469	31.04	4,949,918
JPY:NTD	8,425,007	0.2878	2,424,717
RMB:NTD	555	4.35	2,414

- v. Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, amounted to \$8,211, \$101,598, \$15,315 and \$167,631, respectively.

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

Nine months ended September 30, 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%	\$ 14,304	-
JPY:NTD	0.5%	332	-
RMB:NTD	0.5%	990	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	6,628	-
JPY:NTD	0.5%	8,902	-
RMB:NTD	0.5%	25	-
EUR:NTD	0.5%	19	-
Nine months ended September 30, 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%	\$ 15,377	-
JPY:NTD	0.5%	265	-
RMB:NTD	0.5%	3,380	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	24,750	-
JPY:NTD	0.5%	12,124	-
RMB:NTD	0.5%	12	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group 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 nine months ended September 30, 2020 and 2019, would have increased/decreased by \$1,623 and \$1,860, respectively.

Interest rate risk

The Group'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 nine months ended September 30, 2020 and 2019, would have increased/decreased by \$20,191 and \$43,898, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments 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 Group's concentration of credit risk, was related to the Group's five largest customers. The average credit period of sales of goods was 90 to 120 days. No interest was charged on trade receivables. The Group 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 Group's major customers is obtained from other publicly available financial information or the Group's own trading records. The Group'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 Group 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 Group'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 Group's customer base. The Group's credit risk of other receivables is assessed individually. Impairment gains on other receivables that an impairment loss recognised in prior periods have recovered for the nine months ended September 30, 2019 is \$92,477.
- 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 Group's provision matrix is as follows:

As of September 30, 2020 and December 31, 2019, the Group estimated expected loss rate for customers' accounts receivable as follows: not past due were both 0.02%, past due up to 30 days were both 0.02%, past due 31 to 90 days were both 0.02%~0.04%, past due 91 to 180 days were both 0.06%~0.11%, past due 181 to 270 days were both 0.02%~0.96%, past due 271 to 360 days were both 4.35%~25.04%, and past due over 360 days were both 100%. On September 30, 2019, the Group estimated expected loss rate for customers' accounts receivable as follows: not past due were 0%, past due up to 30 days were 0%, past due 31 to 60 days were 0%, past due 61 to 90 days were 0%, and past due over 90 days were 0%. As of September 30, 2020, December 31, 2019 and September 30, 2019, the total amount of the Group's accounts receivable which past due over 31 days were 1.53%, 0.10% and 0.05%, respectively.

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

	<u>2020</u>	<u>2019</u>
January 1	\$ 7,668	\$ 1,628
Provision for impairment	-	6,385
Amount written off due to uncollectible accounts	(1,586)	-
Effects on exchange rate	(51)	(225)
September 30	<u>\$ 6,031</u>	<u>\$ 7,788</u>

viii. For provisioned loss for the three months ended September 30, 2020 and 2019, and nine months ended September 30, 2020 and 2019, the impairment losses arising from customers' contract amounts to \$0, \$2,099, \$0, and \$6,385, respectively.

(c) Liquidity risk

- i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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. Group treasury invests surplus cash in interest bearing current accounts, check deposit, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group held money market position of \$465,188, \$327,960 and \$991,457, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group relies on bank loans as a significant source of liquidity, the Group had available unutilized short-term bank loan facilities as below:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Unsecured bank overdraft facility			
Amount unused	\$ 1,528,430	\$ 2,109,122	\$ 4,804,585
Secured bank overdraft facility			
Amount unused	<u>358,767</u>	<u>243,014</u>	<u>342,225</u>
	<u>\$ 1,887,197</u>	<u>\$ 2,352,136</u>	<u>\$ 5,146,810</u>

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

The following table details the Group'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 Group 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 and derivative financial liabilities are based on the agreed repayment dates.

September 30, 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	\$ 2,430,614	\$ -	\$ -
Accounts payable	1,240,288	-	-
Other payables	352,833	-	-
Long-term borrowings	206,345	161,734	-
(including current portion)			
Lease liabilities	57	105	-
<u>Derivative financial liabilities</u>			
Forward exchange contract	138		

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	\$ 2,804,696	\$ -	\$ -
Accounts payable	1,073,248	-	-
Other payables	423,098	-	-
Long-term borrowings	203,000	-	-
(including current portion)			
Lease liabilities	57	148	-

September 30, 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	\$ 5,404,754	\$ -	\$ -
Accounts payable	1,554,477	-	-
Other payables	979,475	-	-
Lease liabilities	18,154	35,396	-
Long-term borrowings (including current portion)	2,791,699	1,992,972	-
<u>Derivative financial liabilities</u>			
Forward exchange contract	135	-	-

(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. The fair value of the Group's investment in listed stocks is included in Level 1.

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 Group'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 Group'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

September 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVOCI				
Equity securities	\$ -	\$ -	\$ 162,267	\$ 162,267
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 138	\$ -	\$ 138

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	-	-	169,740	169,740
	\$ -	\$ 571	\$ 169,740	\$ 170,311

September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Debt instruments	-	-	3,500	3,500
Financial assets at FVOCI				
Equity securities	-	-	185,975	185,975
	\$ -	\$ -	\$ 189,475	\$ 189,475
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 135	\$ -	\$ 135

(b) The methods and assumptions the Group 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 spot exchange rate. Interest rate swaps contracts are usually valued based on the current floating-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 consolidated balance sheet date.

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

<u>Financial Instruments</u>	<u>Listed shares</u>
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 nine months ended September 30, 2020 and 2019, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3:

	<u>Nine months ended September 30, 2020</u>	
	<u>Equity instrument</u>	<u>Debt instrument</u>
At January 1	\$ 169,740	\$ -
Losses recognised in other comprehensive income	(7,473)	-
At September 30	<u>\$ 162,267</u>	<u>\$ -</u>
	<u>Nine months ended September 30, 2019</u>	
	<u>Equity instrument</u>	<u>Debt instrument</u>
At January 1	\$ 215,727	\$ 2,500
Acquired in the period	14,478	1,000
Sold in the period	(1,550)	-
Losses recognised in other comprehensive income	(42,680)	-
At September 30	<u>\$ 185,975</u>	<u>\$ 3,500</u>

F. For the nine months ended September 30, 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:

		<u>Fair value at September 30, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments						
Unlisted shares	\$	140,170	Market comparable companies	Multiple price-book ratio	0.45~1.90	The higher the price-book ratio, the higher the fair value
Unlisted shares		22,097	Market comparable companies	Multiple price-book ratio	0.42~1.37	The higher the price-book ratio, the higher the fair value
		<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
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
Unlisted shares		22,097	Market comparable companies	Multiple price-book ratio	0.42~1.37	The higher the price-book ratio, the higher the fair value
		<u>Fair value at September 30, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments						
Unlisted shares	\$	144,888	Market comparable companies	Multiple price-book ratio	0.79~2.44	The higher the price-book ratio, the higher the fair value
Unlisted shares		26,609	Market comparable companies	Multiple price-book ratio	0.40~1.26	The higher the price-book ratio, the higher the fair value
Unlisted shares		14,478	Market comparable companies	Price to earnings ratio	13.33~21.11	The higher the price-to earnings ratio, the higher the fair value

- I. The Group 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:

		<u>September 30, 2020 Recognised in other comprehensive income</u>		
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	<u>\$ 1,619</u>	<u>(\$ 1,621)</u>

			December 31, 2019 Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	\$ 1,716	(\$ 1,885)
			September 30, 2019 Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±5%	\$ 8,591	(\$ 8,516)

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: None.
- 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

(1) General information

The Group considers the business and formulates the strategies from a geographic perspective, therefore the management identifies the reportable segments with the same approach.

The Group has two reportable segments and the operation is located in Taiwan and Mainland China individually. Both are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) Segment revenue and results

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Three months ended September 30, 2020			
	Adjustment and write-off			Total
	Taiwan	Mainland China	(Note)	
Revenue from external customers	\$ 1,407,894	\$ 981,500	\$ -	\$ 2,389,394
Inter-segment revenue	924,936	22,859	(947,795)	-
Total segment revenue	<u>\$ 2,332,830</u>	<u>\$ 1,004,359</u>	<u>(\$ 947,795)</u>	<u>\$ 2,389,394</u>
Segment income (loss)	<u>(\$ 92,863)</u>	<u>\$ 49,571</u>	<u>\$ 1,159</u>	<u>(\$ 42,133)</u>

	Three months ended September 30, 2019			
	Adjustment and write-off			Total
	Taiwan	Mainland China	(Note)	
Revenue from external customers	\$ 1,083,603	\$ 2,360,570	\$ -	\$ 3,444,173
Inter-segment revenue	771,492	105,662	(877,154)	-
Total segment revenue	<u>\$ 1,855,095</u>	<u>\$ 2,466,232</u>	<u>(\$ 877,154)</u>	<u>\$ 3,444,173</u>
Segment income (loss)	<u>(\$ 215,012)</u>	<u>\$ 42,981</u>	<u>\$ 15,074</u>	<u>(\$ 156,957)</u>

Nine months ended September 30, 2020				
	Adjustment and write-off			
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 4,288,655	\$ 2,406,876	\$ -	\$ 6,695,531
Inter-segment revenue	2,029,573	103,961	(2,133,534)	-
Total segment revenue	<u>\$ 6,318,228</u>	<u>\$ 2,510,837</u>	<u>(\$ 2,133,534)</u>	<u>\$ 6,695,531</u>
Segment income (loss)	<u>(\$ 407,855)</u>	<u>\$ 111,162</u>	<u>\$ 23,505</u>	<u>(\$ 273,188)</u>

Nine months ended September 30, 2019				
	Adjustment and write-off			
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 3,247,813	\$ 7,931,980	\$ -	\$ 11,179,793
Inter-segment revenue	2,783,269	563,611	(3,346,880)	-
Total segment revenue	<u>\$ 6,031,082</u>	<u>\$ 8,495,591</u>	<u>(\$ 3,346,880)</u>	<u>\$ 11,179,793</u>
Segment income (loss)	<u>(\$ 655,549)</u>	<u>\$ 303,207</u>	<u>\$ 50,275</u>	<u>(\$ 302,067)</u>

Note: Refer to the internal revenue write-offs.

(3) Segment revenue and results

The total amounts and other significant disclosures in relation to the reportable segments mentioned in item (2) above are in agreement with those presented as related corresponding items in the Group's financial statements and are measured in a manner consistent with those thereon.

Cheng Mei Materials Technology Corporation And Subsidiaries

Loans to others

Nine months ended September 30, 2020

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding balance during nine months ended		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
					September 30, 2020	September 30, 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	\$ -	\$ 939,945	\$ 3,759,781	Notes 2
0	Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	584,307	198,151	198,151	-	Business relationship	11,304	-	-	None	-	11,304	939,945	Notes 2 、 4 、 5
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	256,617	-	-	-	Business relationship	643	-	-	None	-	643	358,893	Notes 3 、 4 、 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: The company reclassified its accounts receivable due from Kunshan Chimei Material Trading Corp. as loans to others and transferred those accounts receivable to other receivables due to they had past due over a certain period.

Therefore, the company's limit on loans to Kunshan Chimei Material Trading Corp. had exceeded the limit specified in the company's "Procedures for Provision of Loans". The Company has set up and improvement plan and implemented the improvement plan as scheduled.

Cheng Mei Materials Technology Corporation And Subsidiaries

Provision of endorsements and guarantees to others

Nine months ended September 30, 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 September 30, 2020	Outstanding amount at September 30, 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	Kunshan Chimei Materials Technology Co., Ltd.	6	\$ 4,699,727	\$ 3,415,926	\$ 3,415,926	\$ 2,894,086	\$ -	36.34%	\$ 9,399,453	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 Kunshan Chimei Material Technology Co., Ltd. Corp. is calculated based on the shareholding ratio at the time of endorsement/guarantee provided. Because Kunshan Chimei Material Technology 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 Kunshan Chimei Material Technology Co., Ltd. Corp., Hangzhou Jinjiang Group Co., Ltd. agreed to provide the counter-guarantee for the amount exceeding the Company's current shareholding ratio and ensure that Kunshan Chimei Material Technology Co., Ltd. will repay the main loan based on the repayment schedule.

Cheng Mei Materials Technology Corporation And Subsidiaries

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

September 30, 2020

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 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	\$ 140,170	6.41%	\$ 140,170	-
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	9,363	Note	9,363	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	12,734	Note	12,734	-

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

Cheng Mei Materials Technology Corporation And Subsidiaries

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

Nine months ended September 30, 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	(\$ 2,041,991)	(33%)	-	-	-	\$ 464,676	25%	Note 1
Cheng Mei Materials Technology Co., Ltd.	Innolux Corporation	Related party	Sales	(907,436)	(15%)	-	-	-	-	-	Note 2
Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	(320,554)	(5%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Related party	Sales	(482,633)	(19%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	(128,678)	(5%)	-	-	-	-	-	Note 2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Display Ltd.	Related party	Sales	(110,030)	(4%)	-	-	-	-	-	Note 2

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 nine months ended September 30, 2020 was \$66,741.

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

Cheng Mei Materials Technology Corporation And Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
September 30, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 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 \$ 464,676	5.86	\$ -	-	\$ 281,696	\$ -
Cheng Mei Materials Technology Corporation	Kunshan Chimei Materials Technology Co., Ltd.	Associate	Other receivables 251,101	-	-	-	-	-

Cheng Mei Materials Technology Corporation And Subsidiaries
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 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	\$ 2,041,991	-	30%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	464,676	-	3%
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Sales	47,884	-	1%
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Accounts receivable	44,890	-	-
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Other receivables	21,316	-	-
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	96,436	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	12,389	-	-

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 And Subsidiaries

Information on investees (not including investees in Mainland China)

Nine months ended September 30, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine months ended September 30, 2020	Investment income(loss) recognised by the Company for nine months ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 897,002	\$ 107,910	\$ 107,910	Note 1
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	205,000	9,220	96.04%	40,837 (	34,799) (	25,879)	Note 2
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	3,687,416	79,849	79,849	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	5,000	15,187	100%	22,296 (	3,622) (	3,622)	Note 2
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	5,000	21,100	100%	54,379 (	2,181) (	2,181)	Note 2
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	132	1.38%	829 (	34,799)		Note 3 Note 2
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	27,482 (	1,069)		Note 3 Note 2

Note 1: It is calculated based on the investees' financial statements for the same reporting period which were reviewed and attested by R.O.C parent company's CPA.

Note 2: It is calculated based on the investees' financial statements for the same reporting period which were not reviewed by other independent auditors.

Note 3: 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 And Subsidiaries

Information on investments in Mainland China

Nine months ended September 30, 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	Amount remitted from Taiwan to Mainland China /Amount remitted back to		Accumulated amount of remittance	Net income of investee as of September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
				Taiwan to Mainland China as of January 1, 2020	Taiwan for the nine months ended September 30, 2020 Remitted to Mainland China	Remitted back to Taiwan	as of September 30, 2020						
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 563,276	2	\$ 387,030	\$ -	\$ -	\$ 387,030	\$ 107,910	100.00	\$ 107,910	\$ 897,233	\$ -	Note 2
Kunshan Chimei Materials Technology Co., Ltd.	Electronic component manufacture and sale	10,779,892	2	4,263,150	-	-	4,263,150	207,940	38.40	79,849	3,687,672	-	Note 3
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	29,100	2	29,100	-	-	29,100	(1,070)	100.00	(1,070)	28,275	-	Note 3
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 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	\$4,679,280	\$4,679,280	\$5,648,830										

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: It is calculated based on the investees' financial statements for the same reporting period which were reviewed and attested by R.O.C parent company's CPA.

Note 3: It is calculated based on the investees' financial statements for the same reporting period which were not reviewed by other independent auditors.

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 29.817 to US\$1 from January 1, 2020 to September 30, 2020, otherwise are re-translated at the exchange rates of NTD 29.100 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 And Subsidiaries

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

Nine months ended September 30, 2020

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		balance during nine months Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at September 30, 2020	%	Balance at September 30, 2020	Purpose	Maximum balance during the nine months ended September 30, 2020	Balance at September 30, 2020	Interest rate	Interest during the nine months ended September 30, 2020	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,041,991	33%	\$ -	-	\$ 464,676	25%	\$ -	-	\$ -	\$ -	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(96,436)	2%	-	-	(12,389)	1%	-	-	-	-	-	-	-

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 nine months ended September 30, 2020 was \$66,741.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

September 30, 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 differ 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.