

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION
(FORMERLY CHI MEI MATERIALS
TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Cheng Mei Materials Technology Corporation

Opinion

We have audited the accompanying balance sheets of Cheng Mei Materials Technology Corporation (formerly Chi Mei Materials Technology Corporation) as at December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s financial statements of the current period are stated as follows:

Fair value measurement of investments in unlisted stock without active market

Description

In terms of the fair value of unlisted stock without active market, refer to Note 4(6) for the relevant accounting policies, Note 5(2) for the uncertainty of accounting estimates and assumptions, Note 6(3) for details of financial assets, and Note 12(3) for fair value information of financial instruments.

Unlisted stock investments without active market are recognised as financial assets at fair value through other comprehensive income, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

Given that the fair values of unlisted stocks without an active market were evaluated by an external appraiser commissioned by the management and the estimation involves multiple assumptions and a high degree of uncertainty that may affect the share price, we consider the fair value measurement of unlisted stocks without an active market one of the key audit matters.

How our audit addressed the matter

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

1. Obtained the stock fair value appraisal report provided by the commissioned appraiser and evaluated the professional expertise, competence and objectivity of the appraiser.
2. Reviewed the content of the appraisal report to understand and assess the reasonableness of source of the information used, valuation method and conclusions.

Impairment assessment of property, plant and equipment

Description

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

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

How our audit addressed the matter

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu, Zi-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2020

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

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

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

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 6,367	-	\$ 392,428	3
1110	Current financial assets at fair value through profit or loss	6(2)	571	-	-	-
1136	Current financial assets at amortised cost	6(4) and 8	67,061	-	2,000	-
1170	Accounts receivable, net	6(5)	335,924	2	1,047,794	7
1180	Accounts receivable, net - related parties	6(5) and 7	1,612,267	12	1,552,085	10
1200	Other receivables		51,422	-	13,447	-
1210	Other receivables - related parties	7	1,022,869	8	50,158	-
1220	Current tax assets	6(23)	658	-	1,083	-
130X	Inventories	5 and 6(6)	1,759,982	13	2,365,837	15
1470	Other current assets		67,161	1	43,194	-
11XX	Total current assets		4,924,282	36	5,468,026	35
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	5 and 6(3)	147,643	1	188,667	1
1550	Investments accounted for under equity method	6(7)	4,446,641	33	5,600,735	36
1600	Property, plant and equipment	5, 6(8), 7 and 8	3,854,530	29	4,136,296	27
1755	Right-of-use assets		198	-	-	-
1780	Intangible assets	6(9)	8,273	-	13,735	-
1840	Deferred tax assets	6(23)	76,381	1	76,381	-
1900	Other non-current assets	7	50,396	-	132,861	1
15XX	Total non-current assets		8,584,062	64	10,148,675	65
1XXX	Total assets		\$ 13,508,344	100	\$ 15,616,701	100

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

Liabilities and Equity			December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 1,894,647	14	\$ 2,839,452	18
2130	Current contract liabilities	6(17) and 7	18,249	-	21,926	-
2170	Accounts payable		1,069,698	8	1,634,622	11
2180	Accounts payable - related parties	7	46,101	-	34,025	-
2200	Other payables	6(11) and 7	317,650	2	364,905	3
2280	Current lease liabilities		55	-	-	-
2320	Long-term liabilities, current portion	6(12)	200,000	2	-	-
2399	Other current liabilities		7,468	-	14,787	-
21XX	Total current Liabilities		3,553,868	26	4,909,717	32
Non-current liabilities						
2540	Long-term borrowings	6(12)	-	-	200,000	1
2570	Deferred tax liabilities	6(23)	22,674	-	22,674	-
2580	Non-current lease liabilities		145	-	-	-
2645	Guarantee deposits received		40	-	45	-
2650	Credit balance of investments	6(7)				
	accounted for using equity method		272,855	2	-	-
25XX	Total non-current liabilities		295,714	2	222,719	1
2XXX	Total Liabilities		3,849,582	28	5,132,436	33
Equity						
Share capital						
3110	Common stock	6(14)	6,657,285	49	6,657,285	43
Capital surplus						
3200	Capital surplus	6(15)	944,026	7	851,689	5
Retained earnings						
		6(16)				
3310	Legal reserve		1,085,124	8	1,085,124	7
3320	Special reserve		447,530	3	246,224	2
3350	Unappropriated retained earnings		1,201,658	9	2,091,473	13
Other equity interest						
3400	Other equity interest		(676,861)	(4)	(447,530)	(3)
3XXX	Total equity		9,658,762	72	10,484,265	67
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 13,508,344	100	\$ 15,616,701	100

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

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

			Year ended December 31			
			2019		2018	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Net sales	6(17) and 7	\$	8,071,052	100	\$	8,242,816
5000 Costs of sales	6(6)(9)(21)(22) and 7	(	8,316,864)	(103)	(	8,037,365)
5900 Gross loss (profit)		(	245,812)	(3)		205,451
5920 Realized profit on from sales		-	-	-		16,641
5950 Gross loss (profit) from operations		(	245,812)	(3)		222,092
Operating expenses	6(9)(21)(22), 7 and 12(2)					
6100 Selling and marketing expenses		(	82,241)	(1)		114,338)
6200 General and administrative expenses		(	184,620)	(2)		145,972)
6300 Research and development expenses		(	199,631)	(3)		214,940)
6450 Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9			41	-	(	1,628)
6000 Total operating expenses		(	466,451)	(6)	(	476,878)
6900 Loss from operations		(	712,263)	(9)	(	254,786)
Non-operating income and expenses						
7010 Other income	6(18) and 7		94,523	1		94,398
7020 Other gains and losses	6(2)(19) and 7	(	39,332)	-		94,840
7050 Finance costs	6(20)	(	39,271)	-	(	24,171)
7070 Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method	6(7)		9,971	-	(	565,361)
7000 Total non-operating income and expenses			25,891	1	(	400,294)
7900 Loss before income tax		(	686,372)	(8)	(	655,080)
7950 Income tax expense	6(23)	(	2,187)	-		-
8200 Loss for the year		(	688,559)	(8)	(	655,080)
Other comprehensive income (loss)						
Items that may not be reclassified subsequently to profit or loss						
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	(	41,024)	(1)	(	61,333)
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(	17,891)	-	(	62,940)
Items that may be reclassified subsequently to profit or loss						
8361 Exchange differences on translating of foreign financial statements		(	170,366)	(2)	(	77,033)
8300 Total other comprehensive loss		(	229,281)	(3)	(	201,306)
8500 Total comprehensive loss for the year		(	917,840)	(11)	(	856,386)
Loss per share	6(24)					
9750 Basic loss per share		(		1.03)	(	0.98)
9850 Diluted loss per share		(		1.03)	(	0.98)

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained earnings			Other equity interest		
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Year ended December 31, 2018									
Balance at January 1, 2018		\$ 6,657,285	\$ 856,768	\$ 1,085,124	\$ 202,973	\$ 2,789,804	(\$ 246,224)	\$ -	\$ 11,345,730
Net loss for the year	6(3)	-	-	-	-	(655,080)	-	-	(655,080)
Other comprehensive loss for the year		-	-	-	-	-	(77,033)	(124,273)	(201,306)
Total comprehensive loss for the year		-	-	-	-	(655,080)	(77,033)	(124,273)	(856,386)
Distribution of 2017 earnings									
Special reserve	6(16)	-	-	-	43,251	(43,251)	-	-	-
Difference between consideration and carrying amount of subsidiaries' disposal	6(15)	-	3,714	-	-	-	-	-	3,714
Changes in ownership interests in subsidiaries	6(15)	-	(8,793)	-	-	-	-	-	(8,793)
Balance at December 31, 2018		\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ 10,484,265
Year ended December 31, 2019									
Balance at January 1, 2019		\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ 10,484,265
Net loss for the year		-	-	-	-	(688,559)	-	-	(688,559)
Other comprehensive loss for the year	6(3)	-	-	-	-	-	(170,366)	(58,915)	(229,281)
Total comprehensive loss for the year		-	-	-	-	(688,559)	(170,366)	(58,915)	(917,840)
Distribution of 2018 earnings									
Special reserve	6(16)	-	-	-	201,306	(201,306)	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	50	-	(50)	-
Changes in ownership interests in subsidiaries	6(15)	-	92,337	-	-	-	-	-	92,337
Balance at December 31, 2019		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 686,372)	(\$ 655,080)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(21)	381,271	489,327
Amortization expense	6(9)(21)	13,985	22,711
Expected credit (gain) loss	12(2)	(41)	1,628
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(19)	44,853	(17,713)
Interest expense	6(20)	39,271	24,171
interest income	6(18)	(967)	(6,598)
Share of profit (loss) of subsidiaries, associated and joint ventures accounted for using equity method	6(7)	(9,971)	565,361
Realized profit from sales		-	(16,641)
Loss on disposal of property, plant and equipment	6(19)	237	90
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		13,293	41,181
Accounts receivable		711,911	(11,949)
Accounts receivable - related parties	(	60,182)	35,514
Other receivables	(	37,975)	142,831
Other receivables - related parties	(	87,836)	140,385
Inventories		605,855	(837,751)
Other current assets	(	23,967)	(9,994)
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	58,717)	(23,817)
Current contract liabilities	(	3,677)	1,349
Accounts payable	(	564,924)	(303,009)
Accounts payable - related parties		12,076	(105,562)
Other payables	(	36,893)	14,729
Other payables - related parties		-	(5,346)
Other current liabilities	(	7,319)	(6,154)
Cash inflow (outflow) generated from operations		243,911	(520,337)
Interest received		967	6,598
Interest paid	(	40,391)	(27,808)
Income tax paid	(	1,762)	(1,083)
Net cash flows from (used in) operating activities		202,725	(542,630)

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	\$ -	(\$ 250,000)
Increase in current financial assets at amortised cost		(65,061)	-
Increase in accounts receivable financing - related parties		(508,050)	(53,955)
Acquisition of investments accounted for using equity method		-	(3,517,436)
Proceeds from capital reduction of investments accounted for using equity method	6(25)	988,130	-
Acquisition of property, plant and equipment	6(25)	(65,779)	(85,035)
Proceeds from disposal of property, plant and equipment	6(25)	52,132	3,775
Acquisition of intangible assets	6(9)	(8,523)	(5,638)
Increase in prepayments for business facilities		(36,795)	(41,991)
Decrease (increase) in refundable deposits		23	(73)
Net cash flows from (used in) investing activities		356,077	(3,950,353)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of short-term loans	6(26)	(5,484,671)	(9,869,262)
Proceeds from short-term loans	6(26)	4,539,866	11,557,064
Decrease in short-term notes and bills payable	6(26)	-	(100,000)
Payments of principal portion of lease liabilities	6(26)	(53)	-
Proceeds from long-term debt	6(26)	-	200,000
Decrease in guarantee deposits received	6(26)	(5)	(30)
Net cash flows (used in) from financing activities		(944,863)	1,787,772
Net decrease in cash and cash equivalents		(386,061)	(2,705,211)
Cash and cash equivalents at beginning of year	6(1)	392,428	3,097,639
Cash and cash equivalents at end of year	6(1)	<u>\$ 6,367</u>	<u>\$ 392,428</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

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

These financial statements was authorised for issuance by to the Board of Directors on March 18, 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 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of	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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 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, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Leasing arrangements(lessor) - operating leases

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

(12) Inventories

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

(13) Investments accounted for using equity method

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in shareholdings in subsidiaries do not result to a loss on control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.
- E. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value, that fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture, and recognises the difference between fair value and book value in the profit or loss for the period. The accounting treatment on the previously recognized amount related to the subsidiary in other comprehensive income is the same as the basis if the Company directly disposes related assets or liabilities, which means if the Company has recognized gain or loss in other comprehensive income, the Company should reclassify the gain or loss on disposal of related assets or liabilities to profit or loss; and when the Company loses control in the subsidiary, the gain or loss should be reclassified from equity to profit or loss.

F. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) Property, plant and equipment

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

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

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Leased assets/operating leases (lessee)

Effective 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Licenses and franchises are amortised on a straight-line basis over their estimated useful lives of 5 years.

(18) Impairment of non-financial assets

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

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings and other short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) Non-hedging derivatives

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

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

(25) Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

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

(27) Revenue recognition

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

Revenue from the sale of goods comes from the sale of polarizing film. Sales of polarizing film are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped (according to the terms of trade), because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

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

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

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

Revenue recognition on a net/gross basis

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

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

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

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was \$1,759,982.

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

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

As of December 31, 2019, the carrying amount of unlisted stocks without active market was \$147,643.

C. Impairment of property, plant and equipment

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

As of December 31, 2019, the Company recognised property, plant and equipment, net of impairment loss, amounting to \$3,854,530.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 182	\$ 180
Checking accounts and demand deposits	<u>6,185</u>	<u>392,248</u>
	<u>\$ 6,367</u>	<u>\$ 392,428</u>

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

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

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

	<u>Year ended</u> <u>December 31, 2019</u>	<u>Year ended</u> <u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 571</u>	<u>\$ -</u>

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

	Year ended December 31, 2019	Year ended December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 13,864	\$ 41,181
Financial liabilities held for trading		
Derivatives	(58,717)	(23,468)
	<u>(\$ 44,853)</u>	<u>\$ 17,713</u>

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

	December 31, 2019		December 31, 2018	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Forward foreign exchange contracts	JPY 109,340 thousand	2019.12~2020.1	-	-
Forward foreign exchange contracts	JPY 218,000 thousand	2019.12~2020.1	-	-

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

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

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

	December 31, 2019	December 31, 2018
Non current items:		
Equity instruments		
Unlisted stocks	\$ 250,000	\$ 250,000
Valuation adjustment	(102,357)	(61,333)
	<u>\$ 147,643</u>	<u>\$ 188,667</u>

A. The Company has elected to classify unlisted stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$147,643 and \$188,667 as at December 31, 2019 and 2018, respectively.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	<u>(\$ 41,024)</u>	<u>(\$ 61,333)</u>

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

(4) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Escrow demand deposits	\$ 60,061	\$ -
Pledged deposit	7,000	2,000
	<u>\$ 67,061</u>	<u>\$ 2,000</u>

A. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$67,061 and \$2,000, respectively.

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

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

(5) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 337,511	\$ 1,049,422
Accounts receivable - related parties	1,612,267	\$ 1,552,085
Less: Allowance for uncollectible accounts	(1,587)	(1,628)
	<u>\$ 1,948,191</u>	<u>\$ 2,599,879</u>

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

	December 31, 2019	December 31, 2018
Not past due	\$ 1,925,544	\$ 2,598,500
Up to 30 days	12,807	3,007
31 to 60 days	2,475	-
61 to 90 days	8,663	-
Over 91 days	289	-
	<u>\$ 1,949,778</u>	<u>\$ 2,601,507</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of accounts receivable from contracts with customers amounted to \$1,949,778, \$2,601,507, and \$2,625,072, respectively.

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

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$1,948,191 and \$2,599,879, respectively.

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

(6) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,114,114	(\$ 157,430)	\$ 956,684
Work in progress	530,374	(79,546)	450,828
Finished goods	532,547	(180,077)	352,470
	<u>\$ 2,177,035</u>	<u>(\$ 417,053)</u>	<u>\$ 1,759,982</u>
	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,340,993	(\$ 127,139)	\$ 1,213,854
Work in progress	976,229	(108,410)	867,819
Finished goods	520,408	(236,244)	284,164
	<u>\$ 2,837,630</u>	<u>(\$ 471,793)</u>	<u>\$ 2,365,837</u>

The cost of inventories recognized as expense for the years ended December 31, 2019 and 2018, was \$8,316,864 and \$8,037,365, respectively, including the amounts of \$54,740 and \$336,807, respectively, that the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(7) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Cheng Mei Materials Technology (SAMOA) Corp. (Formerly Chi Mei Materials Technology (SAMOA) Corp.)	\$ 795,498	\$ 777,253
CM Visual Technology Corporation (Formerly Chi Mei Visual Technology Corporation)	13,337	69,903
Chi Mei Materials Technology Investment Co., Ltd.	3,637,806	3,595,918
Cheng Hui Trading Co., Ltd. (Formerly Mao Fong Trading Co., Ltd.)	(149,198)	873,405
Cheng Hui Investment Co., Ltd. (Formerly Mao Yu Investment Co., Ltd.)	(123,657)	284,256
Add: Transferred to credit balance of investments accounted for using equity method	272,855	-
	<u>\$ 4,446,641</u>	<u>\$ 5,600,735</u>

1. Refer to Note 4(3) in the consolidated financial statements for the details of the subsidiaries.
2. The share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method for the years ended December 31, 2019 and 2018 were \$9,971 and (\$565,361), respectively.

3. In October 2019 and December 2019, the reinvested company of Chi Mei Material Technology Investment Co., Ltd. (collectively referred to herein as the “CMMTI”), Kunshan Chimei Material Technology Co., Ltd. (collectively referred to herein as the “KSCMMT”), increased its capital in cash. CMMTI 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, CMMTI lost its control over KSCMMT and generated gains from disposal of investment amounting to \$140,450 (shown as “share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method”). However, CMMTI still has significant influence over KSCMMT.

(8) Property, plant and equipment

2019

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

2018

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress	Total
<u>At January 1,</u>								
Cost	\$ 1,428,543	\$ 3,294,400	\$ 4,623,182	\$ 44,405	\$ 3,504,287	\$ 124,889	\$ 1,200	\$ 13,020,906
Accumulated depreciation and impairment	-	(1,146,208)	(4,106,335)	(34,070)	(3,064,403)	(104,108)	-	(8,455,124)
	<u>\$ 1,428,543</u>	<u>\$ 2,148,192</u>	<u>\$ 516,847</u>	<u>\$ 10,335</u>	<u>\$ 439,884</u>	<u>\$ 20,781</u>	<u>\$ 1,200</u>	<u>\$ 4,565,782</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 2,148,192	\$ 516,847	\$ 10,335	\$ 439,884	\$ 20,781	\$ 1,200	\$ 4,565,782
Additions	-	227	34,056	5,732	38,564	2,546	-	81,125
Disposals	-	-	(53,898)	(157)	(1,329)	(595)	-	(55,979)
Reclassifications	-	-	20,232	-	14,448	1,215	(1,200)	34,695
Depreciation charge	-	(129,830)	(158,850)	(5,468)	(185,720)	(9,459)	-	(489,327)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 2,018,589</u>	<u>\$ 358,387</u>	<u>\$ 10,442</u>	<u>\$ 305,847</u>	<u>\$ 14,488</u>	<u>\$ -</u>	<u>\$ 4,136,296</u>
<u>At December 31,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,558,332	\$ 41,368	\$ 3,554,477	\$ 125,916	\$ -	\$ 13,003,263
Accumulated depreciation and impairment	-	(1,276,038)	(4,199,945)	(30,926)	(3,248,630)	(111,428)	-	(8,866,967)
	<u>\$ 1,428,543</u>	<u>\$ 2,018,589</u>	<u>\$ 358,387</u>	<u>\$ 10,442</u>	<u>\$ 305,847</u>	<u>\$ 14,488</u>	<u>\$ -</u>	<u>\$ 4,136,296</u>

A. For the years ended December 31, 2019 and 2018, there was no borrowing costs capitalised as part of property, plant and equipment.

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

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

(9) Intangible assets

		2019		
		<u>Computer Software</u>	<u>Licenses and Franchises</u>	<u>Total</u>
<u>At January 1,</u>				
Cost	\$	71,478	\$ 9,200	\$ 80,678
Accumulated amortisation and impairment	(	58,663)	(8,280)	(66,943)
	\$	<u>12,815</u>	\$ <u>920</u>	\$ <u>13,735</u>
At January 1	\$	12,815	\$ 920	\$ 13,735
Additions-acquired separately		8,523	-	8,523
Amortisation charge	(	13,065)	(920)	(13,985)
At December 31	\$	<u>8,273</u>	\$ <u>-</u>	\$ <u>8,273</u>
<u>At December 31,</u>				
Cost	\$	80,001	\$ 9,200	\$ 89,201
Accumulated amortisation and impairment	(	71,728)	(9,200)	(80,928)
	\$	<u>8,273</u>	\$ <u>-</u>	\$ <u>8,273</u>
		2018		
		<u>Computer Software</u>	<u>Licenses and Franchises</u>	<u>Total</u>
<u>At January 1,</u>				
Cost	\$	65,999	\$ 9,200	\$ 75,199
Accumulated amortisation and impairment	(	37,951)	(6,440)	(44,391)
	\$	<u>28,048</u>	\$ <u>2,760</u>	\$ <u>30,808</u>
At January 1	\$	28,048	\$ 2,760	\$ 30,808
Additions-acquired separately		5,638	-	5,638
Amortisation charge	(	20,871)	(1,840)	(22,711)
At December 31	\$	<u>12,815</u>	\$ <u>920</u>	\$ <u>13,735</u>
<u>At December 31,</u>				
Cost	\$	71,478	\$ 9,200	\$ 80,678
Accumulated amortisation and impairment	(	58,663)	(8,280)	(66,943)
	\$	<u>12,815</u>	\$ <u>920</u>	\$ <u>13,735</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of sales	\$ 3,024	\$ 2,897
General and administrative expenses	10,041	17,974
Research and development expenses	920	1,840
	<u>\$ 13,985</u>	<u>\$ 22,711</u>

(10) Short-term borrowings

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

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 2,839,452</u>	0.59%~1.30%	-

A. Information about interest expense recognised in profit or loss is provided in Note 6(20).

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

- (a) During the debt negotiation, the bank loans are secured by the Company's chairman, Ho, Jau-Yang, as a joint guarantor.
- (b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.
- (c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.
- (d) The Company sets up an escrow account and funds are remitted into the account for a centralised management and supervision. (The escrow account is set up in the largest creditor bank)

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

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

- (a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.
- (b) Taiwan Cooperative Bank and Changhua Bank will negotiate with headquarter 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. As of March 18, 2020, the written approval of each creditor bank has not been completed.

D. In November 2019, the Company was financed by IBT Leasing Co., Ltd. through sales with buyback agreements. As of December 31, 2019, the Company issued unexpired notes in the amount of \$47,718 for the aforementioned transaction.

(11) Other payables

	December 31, 2019	December 31, 2018
Payables for salaries or bonuses	\$ 138,100	\$ 173,647
Payables for annual leave	36,578	35,278
Payables for insurance premiums	11,699	11,493
Payables for purchase of equipment	8,993	18,235
Payables for interest	1,576	2,696
Others	120,704	123,556
	<u>\$ 317,650</u>	<u>\$ 364,905</u>

(12) Long-term borrowings

Type of borrowings	December 31, 2019	December 31, 2018
<u>Unsecured borrowings</u>		
Borrowings		
Repayable monthly on interest from December 17, 2018	\$ 200,000	\$ 200,000
The principal was repaid in full on the maturity date (December 17, 2020)		
Less: Current portion	(200,000)	-
	<u>\$ -</u>	<u>\$ 200,000</u>
Interest rate range	<u>1.50%</u>	<u>1.50%</u>

A. Information on interest expense recognised in profit or loss is provided in Note 6(20).

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

(13) Pensions

- A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$35,583 and \$36,038, respectively.

(14) Share capital

- A. As of December 31, 2019, 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)	
	2019	2018
At January 1 (and December 31)	665,729	665,729

B. GDRS

- (a) On December 20, 2016, the Company’s Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of December 31, 2019, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

i. Voting rights

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

ii. Sale and withdrawal of the underlying common shares

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

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

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

(15) Capital surplus

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

	2019			
	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	\$ 41,419	\$ 851,689
Changes in ownership interests in subsidiaries	-	-	92,337	92,337
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 133,756</u>	<u>\$ 944,026</u>
	2018			
	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	\$ 3,062	\$ 50,212	\$ 856,768
Purchase price and carrying amount arising from disposal of subsidiaries	-	3,714	-	3,714
Changes in ownership interests in subsidiaries	-	-	(8,793)	(8,793)
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 41,419</u>	<u>\$ 851,689</u>

(16) Retained earnings

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

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

C. Special reserve

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

D. On June 28, 2019 and June 22, 2018, the shareholders resolved that the Company will not distribute dividends, but set aside special reserve amounting to \$201,306 and \$43,251, respectively.

E. On March 18, 2020, the Board of Directors of the Company proposed not to appropriate dividends and provisioned special reserves amounting to \$229,331.

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2019	Year ended December 31, 2018
Taiwan	\$ 2,942,788	\$ 3,241,137
Mainland China	4,598,979	5,001,240
Other Asian area	529,285	439
	<u>\$ 8,071,052</u>	<u>\$ 8,242,816</u>

B. Contract liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities			
– sale of goods	<u>\$ 18,249</u>	<u>\$ 21,926</u>	<u>\$ 20,577</u>

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

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 21,870</u>	<u>\$ 20,526</u>

(18) Other income

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income:		
Interest income from bank deposits	\$ 686	\$ 6,598
Other interest income	281	-
Rental income	4,468	4,091
Royalty income	60,357	73,997
Disgorgement income	11,033	-
Others	17,698	9,712
	<u>\$ 94,523</u>	<u>\$ 94,398</u>

(19) Other gains and losses

	Year ended December 31, 2019	Year ended December 31, 2018
Losses on disposals of property, plant and equipment	(\$ 237)	(\$ 90)
Foreign exchange gains	5,769	77,217
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(44,853)	17,713
Others	(11)	-
	<u>(\$ 39,332)</u>	<u>\$ 94,840</u>

(20) Finance costs

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expense - bank borrowings	\$ 39,268	\$ 24,171
Interest expense - lease liabilities	3	-
	<u>\$ 39,271</u>	<u>\$ 24,171</u>

(21) Expenses by nature

	Year ended December 31, 2019	Year ended December 31, 2018
Employee benefit expense	\$ 868,339	\$ 915,373
Depreciation charges on property, plant and equipment	381,216	489,327
Depreciation charges on right-of-use assets	55	-
Amortisation charges on intangible assets	13,985	22,711
	<u>\$ 1,263,595</u>	<u>\$ 1,427,411</u>

(22) Employee benefit expense

	Year ended December 31, 2019	Year ended December 31, 2018
Pension costs	\$ 35,583	\$ 36,038
Short-term employee benefits	832,756	879,335
	<u>\$ 868,339</u>	<u>\$ 915,373</u>

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

B. The Company incurred losses for the years ended December 31, 2019 and 2018; 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.

(23) Income tax

A. Income tax expense

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	2,187	-
Total current tax	<u>2,187</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	-	9,243
Impact of change in tax rate	-	(9,243)
Total deferred tax	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ 2,187</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting loss:

	Year ended December 31, 2019	Year ended December 31, 2018
Tax calculated based on loss before tax and statutory tax rate	(\$ 137,274)	(\$ 131,016)
Expenses disallowed by tax regulation	26,981	28,053
Temporary differences not recognised as deferred tax assets	(33,783)	28,040
Taxable loss not recognised as deferred tax assets	144,076	74,923
Prior year income tax underestimation	2,187	-
Income tax expense	<u>\$ 2,187</u>	<u>\$ -</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:
2019

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

		2018		
		January 1	Reclassification	December 31
Temporary differences:				
- Deferred tax assets:				
Allowance for obsolescence and decline				
in market value of inventories	\$	68,731	\$ -	\$ 68,731
Unrealised gain on financial assets		59	-	59
Deferred revenue		4,160	-	4,160
Unrealized exchange gain		108	-	108
Provision		2,074	-	2,074
Others	(	14,478)	15,727	1,249
		60,654	15,727	76,381
-Deferred tax liabilities:				
Gain on foreign investment accounted for				
under equity method	(	6,768)	-	(6,768)
Others	(	179)	(15,727)	(15,906)
	(	6,947)	(15,727)	(22,674)
Total	\$	53,707	\$ -	\$ 53,707

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

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

December 31, 2018					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026
2017	Amount filed	530,444	530,444	530,444	2027
2018	Expected amount filed	374,614	374,614	374,614	2028

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	\$ 427,223	\$ 596,136

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated in February, 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from the year 2018.

The Group has assessed the impact of the change in income tax rate.

(24) Loss per share

		<u>Year ended December 31, 2019</u>	
		Weighted average number of ordinary shares outstanding	Loss per share
		<u>Amount after tax (share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company	(\$ 688,559)	665,729	(\$ 1.03)
		<u>Year ended December 31, 2018</u>	
		Weighted average number of ordinary shares outstanding	Loss per share
		<u>Amount after tax (share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company	(\$ 655,080)	665,729	(\$ 0.98)

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Purchase of property, plant and equipment	\$ 56,537	\$ 81,125
Add: Opening balance of payable on equipment	18,235	22,145
Less: Ending balance of payable on equipment	(8,993)	(18,235)
Cash paid during year ended December 31	<u>\$ 65,779</u>	<u>\$ 85,035</u>

B. Investing activities with partial cash received

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Disposal of property, plant and equipment	\$ 18	\$ 55,889
Add: Opening balance of other receivables on related parties	52,114	-
Less: Ending balance of other receivables on related parties	-	(52,114)
Cash received during year ended December 31	<u>\$ 52,132</u>	<u>\$ 3,775</u>

	Year ended December 31, 2019	Year ended December 31, 2018
Capital reduction of investments accounted for using equity method	\$ 1,341,000	\$ -
Less: Ending balance of other receivables on related parties	(352,870)	-
Proceed from capital reduction of investments accounted for using equity method	<u>\$ 988,130</u>	<u>\$ -</u>

C. Investing activities with no cash flow effects

	Year ended December 31, 2019	Year ended December 31, 2018
Prepayments for equipment transferred to property, plant and equipment	<u>\$ 43,168</u>	<u>\$ 34,695</u>

(26) Changes in liabilities from financing activities

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

	At January 1, 2018	Changes in cash flow from financing activities	At December 31, 2018
Short-term borrowings	\$ 1,151,650	\$ 1,687,802	\$ 2,839,452
Short-term notes payable	100,000	(100,000)	-
Long-term borrowings	-	200,000	200,000
Guarantee deposits received	<u>75</u>	<u>(30)</u>	<u>45</u>
Liabilities from financing activities-gross	<u>\$ 1,251,725</u>	<u>\$ 1,787,772</u>	<u>\$ 3,039,497</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Subsidiaries
CM Visual Technology Corporation ("CMVT")	Subsidiaries
Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Subsidiaries
Cheng Hui Investment Co., Ltd. ("CHI")	Subsidiaries
(Formerly Mao Yu Investment Co., Ltd ("MYI"))	
Cheng Hui Trading Co., Ltd. ("CHT")	Subsidiaries
(Formerly Mao Fong Trading Co., Ltd ("MFT"))	
Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Subsidiaries
Mao Fong Group Co., Ltd.	Subsidiaries
Kunshan Shin Mao Fong International Trading Co., Ltd.	Subsidiaries
Innolux Corporation ("Innolux")	Persons as director of the Company (Note 1)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliates (Note 2)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliates (Note 2)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliates (Note 2)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliates (Note 2)
Shenzhen SAPO Photoelectric Co., Ltd. ("SAPO")	Affiliates (Note 5)
Kunshan Chi Mei Materials Technology Co., Ltd. ("KSCMMT")	Associate (Note 3)
Kunshan Chi Mei Materials Trading Corp.	Associate (Note 4)
Xi'an Jinyaohongtai New Materials Technology Co., Ltd. ("XJHN")	Associate (Note 4)

Note 1: It had served as the legal persons as director of the Company from April 26, 2019.

Note 2: It is the subsidiary owned by Innolux.

Note 3: 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 CMMTI was decreased from 49.5% to 45.15%. On December 17, 2019, Hefei Northtown Optoelectronic Industry fund No. 2 (LLP) increased its investment in KSCMMT in the amount of \$57 million, causing CMMTI's shareholding ratio was decreased to 38.4%. In addition, KSCMMT's directors have been reelected on December 24, 2019, CMMTI lost its control over KSCMMT. However, CMMTI still has significant influence over KSCMMT, thus KSCMMT is one of associates of the Company.

Note 4: It is the subsidiary owned by KSCMMT.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Sales of goods:		
NBCMMT	\$ 2,793,829	\$ 3,590,038
Innolux	1,704,889	34,600
Affiliates	688,609	
Other subsidiaries	788,672	706,817
	<u>\$ 5,975,999</u>	<u>\$ 4,331,455</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd., were written off when preparing the parent company only financial statements. For the years ended December 31, 2019 and 2018, the write-offs amounted to \$112,437 and \$229,485, respectively.

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

B. Purchases

	Year ended December 31, 2019	Year ended December 31, 2018
Purchases of goods:		
Affiliates	\$ 92,069	\$ -
Subsidiaries	39,841	31,077
	<u>\$ 131,910</u>	<u>\$ 31,077</u>

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

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

C. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
Innolux	\$ 668,132	\$ -
NBCMMT	464,737	1,238,673
Foshan Innolux	387,872	-
Associate	52,995	-
Affiliates	4,044	58,561
Other subsidiaries	34,487	254,851
	<u>\$ 1,612,267</u>	<u>\$ 1,552,085</u>
Other receivables:		
MFT (Note)	\$ 206,000	\$ -
MYI (Note)	146,870	-
KSCMMT	54,554	18,912
Other subsidiaries	1,326	1,246
	<u>\$ 408,750</u>	<u>\$ 20,158</u>

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

D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Subsidiaries	\$ 46,101	\$ 34,025
Other payables:		
Subsidiaries	\$ 3,578	\$ -

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 8,263	\$ 6,783

F. Current contract liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
KSCMMT	\$ 13,928	\$ 18,571

G. Other revenue

	Year ended December 31, 2019	Year ended December 31, 2018
KSCMMT	\$ 60,357	\$ 73,997
Other subsidiaries	2,905	13,251
Affiliates	-	18
	<u>\$ 63,262</u>	<u>\$ 87,266</u>

Mainly for royalty income and rental income.

H. Operating expenses

	Year ended December 31, 2019	Year ended December 31, 2018
Subsidiaries	<u>\$ 13,597</u>	<u>\$ 18,999</u>

I. Property transactions

Disposals of property, plant and equipment

	Year ended December 31, 2019		Year ended December 31, 2018	
	Disposal proceeds	Gain on disposal	Disposal proceeds	Gain on disposal
CMVT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,114</u>	<u>\$ -</u>

J. Loans to related parties (categorized as “other receivables - related parties” and “other non-current assets”)

	December 31, 2019	December 31, 2018
Ending balance		
CMVT	\$ 85,000	\$ 106,069
KSCMMT	<u>529,119</u>	<u>-</u>
	<u>\$ 614,119</u>	<u>\$ 106,069</u>

(a) The Company provided loans to CMVT, as approved by the Board of Directors on November 6, 2018, and recognized other receivables of \$52,114 (\$54,720 tax included) from selling equipment to CMVT in 2018 and accounts receivable of \$53,955 from selling to CMVT in 2018 as loan and transfer to other receivables. The loan condition is to pay back \$10,000 monthly starting the fourth quarter of 2019 until the loan is prepaid or paid off. The interest rate is between 1.82% and 4.16%.

(b) On November 11, 2019, the Board of Directors of the Company resolved to provide a loan to CMVT in the amount of \$85,000. The loan period was 6 months at an interest rate of 2.50%.

(c) On November 11, 2019, the Board of Directors resolved to reclassify the accounts receivable of KSCMMT that exceeded a certain period from loans to others to other receivables. The loan period was 6 months.

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

	December 31, 2019		December 31, 2018	
	Outstanding endorsements/ guarantee amount	Actual amount drawn down	Outstanding endorsements/ guarantee amount	Actual amount drawn down
KSCMMT	\$ 3,444,732	\$ 2,342,259	\$ 3,393,346	\$ 1,736,530

(3) Key management compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and other short-term employee benefits	\$ 28,014	\$ 14,309
Post-employment benefits	420	296
	<u>\$ 28,434</u>	<u>\$ 14,605</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Demand deposit (Note)	\$ 60,061	\$ -	An escrow account for debt negotiation procedures
Pledged deposits (Note)	7,000	2,000	Provided as collateral for the letters of credit for purchase of raw materials
Property, plant and equipment			Short-term loan and provided as collateral for
- land	1,428,543	-	credit line
Property, plant and equipment			Short-term loan and provided as collateral for
- buildings and structures	1,888,751	-	credit line
Property, plant and equipment			Short-term loan
- Machinery and equipment	155,821	-	
	<u>\$ 3,540,176</u>	<u>\$ 2,000</u>	

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Company as of December 31, 2019 and 2018 were as follows:

(1) As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and equipment were as follows:

Units: Foreign currency (in thousands)		
	December 31, 2019	December 31, 2018
USD	\$ -	\$ 4,288
JPY	1,926,574	3,048,022
TWD	-	20,454

- (2) As of December 31, 2019 and 2018, the amounts of guarantees provided by financial institutions for the purpose of importing goods were \$7,000 and \$5,000, respectively.
- (3) As of December 31, 2019 and 2018, the unpaid amounts of the construction contracts that the Company entered into for the expansion of factories and machinery equipment were \$393 and \$2,138, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) 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. For the resolution of the meeting, please refer to 6(10) for details.
- (2) On March 18, 2020, the Company's Board of Directors resolved to terminate the resolution adopted from the stockholders at their annual stockholders' meeting on June 28, 2019 in relation to issuing its common shares through public or private offering, issuing new shares to participate in overseas depository receipts, or issuing overseas or domestic convertible corporate bonds, which includes secured or unsecured convertible corporate bonds.
- (3) On March 18, 2020, the Company's Board of Directors approved to issue its common shares through public or private offering, issue new shares to participate in overseas depository receipts, or issue overseas or domestic convertible corporate bonds, which includes secured or unsecured convertible corporate bonds. The amount is limited to 200,000 thousand shares.

12. OTHERS

(1) Capital management

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

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

The gearing ratios at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 3,849,582	\$ 5,132,436
Total assets	\$ 13,508,344	\$ 13,616,701
Gearing ratio	28%	33%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
<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	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	\$ 147,643	\$ 188,667
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 6,367	\$ 392,428
Financial assets at amortised cost	67,061	2,000
Accounts receivable	1,948,191	2,599,879
Other receivables	1,074,291	63,605
Refundable deposits	50	73
	<u>\$ 3,095,960</u>	<u>\$ 3,057,985</u>
	December 31, 2019	December 31, 2018
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,894,647	\$ 2,839,452
Accounts payable	1,115,799	1,668,647
Other payables	317,650	364,905
Long-term borrowings (including current portion)	200,000	200,000
Guarantee deposits received	40	45
	<u>\$ 3,528,136</u>	<u>\$ 5,073,049</u>
Lease liabilities	<u>\$ 200</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with

policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

- (c) The Company Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.
- (d) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2019		
	Foreign currency		Book value (NTD)
	amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,259	29.98	\$ 1,956,465
JPY:NTD	70,747	0.276	19,526
RMB:NTD	135,100	4.305	581,606
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,052	29.98	181,439
JPY:NTD	6,300,168	0.276	1,738,846

	December 31, 2018		
	Foreign currency		Book value (NTD)
	amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 84,895	30.72	\$ 2,607,974
JPY:NTD	283,307	0.2782	78,816
RMB:NTD	53,305	4.47	238,273
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4,997	30.72	153,508
JPY:NTD	12,322,205	0.2782	3,428,037

- v. Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to \$5,769 and \$77,217, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

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

	Year ended December 31, 2018		
	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%	\$ 13,040	-
JPY:NTD	0.5%	394	-
RMB:NTD	0.5%	1,192	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	767	-
JPY:NTD	0.5%	17,140	-

Price risk

- A. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, would have increased/decreased by \$1,476 and \$1,887, respectively.

Interest rate risk

The Company's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$20,488 and \$8,900, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Company's concentration of credit risk, was related to the Company's five largest customers. The average credit period of sales of goods was 90 to 120 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate

the Company's major customers is obtained from other publicly available financial information or the Company's own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.
- iv. The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Company's customer base. The Company's credit risk of other receivables is assessed individually.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The loss allowance of trade receivables based on the Company's provision matrix is as follows:

On December 31, 2019, the Company estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.02%, past due up to 30 days were 0.02%, past due 31 to 90 days were 0.02%~0.04%, past due 91 to 180 days were 0.06%~0.11%, past due 181 to 270 days were 0.02%~0.96%, past due 271 to 360 days were 4.35%~25.04%, and past due over 360 days were 100%. As of December 31, 2018, the Company's estimated expected loss rate for customers' accounts receivable was 0%. As of December 31, 2019 and 2018, the total amount of the Company's accounts receivable which past due over 31 days were 1% and 0.00%, respectively.

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

	2019	2018
January 1 (IAS 39 & IFRS 9)	\$ 1,628	\$ -
Provision for impairment	-	1,628
Reversal of impairment loss	(41)	-
December 31	<u>\$ 1,587</u>	<u>\$ 1,628</u>

- viii. For the years ended December 31, 2019 and 2018, the impairment loss (gain from reversal) of accounts receivable arising from customer contracts was (\$41) and \$1,628, respectively.

(c) Liquidity risk

- i. The Company Treasury function manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Company.
- ii. Company treasury invests surplus cash in interest bearing current accounts, check deposit, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2019 and 2018, the Company held money market position of \$6,185 and \$392,248, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company relies on bank loans as a significant source of liquidity, the Company had available unutilized short-term bank loan facilities as below:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank overdraft facility		
Amount unused	\$ 16,188	\$ 2,162,753
Secured bank overdraft facility		
Amount unused	243,014	-
	<u>\$ 259,202</u>	<u>\$ 2,162,753</u>

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

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

December 31, 2019

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

December 31, 2018

	<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	\$ 2,845,119	\$ -	\$ -
Accounts payable	1,668,647	-	-
Other payables	364,905	-	-
Long-term borrowings	3,000	203,000	-
(including current portion)			

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

(a) Fair value hierarchy

December 31, 2019

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

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVOCI				
Equity securities	\$ -	\$ -	\$ 188,667	\$ 188,667

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

- The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

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

<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 years ended December 31, 2019 and 2018, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3 in the years ended December 31, 2019 and 2018:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 188,667	\$ -
Acquired in the period	-	250,000
Losses recognised in other comprehensive income	(41,024)	(61,333)
At December 31	<u>\$ 147,643</u>	<u>\$ 188,667</u>

- F. For the years ended December 31, 2019 and 2018, 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 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
	<u>Fair value at December 31, 2018</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	\$ 188,667	Market comparable companies	Multiple price- book ratio	1.02~2.61	The higher the price- book ratio, the higher the fair value

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

		<u>December 31, 2019 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>\$ 1,504</u>	<u>(\$ 1,666)</u>

		December 31, 2018	
		Recognised in other comprehensive income	
	Input	Change	
		Favourable change	Unfavourable change
Financial assets			
Equity instruments	Multiple price - book ratio	±5%	\$ 9,507 (\$ 9,367)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- 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 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and revolving funds		\$ 182
Cash in banks	Checking Account	2,144
	NTD demand deposit	890
	Foreign currency demand deposits	3,151
	(USD 93 thousand, exchange rate 29.98;	
	RMB 5 thousand, exchange rate 4.305;	
	JPY 1,232 thousand, exchange rate 0.276)	
		<u>\$ 6,367</u>

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Sakai Display Products Corporation	Sales revenue	\$ 296,682	
HannStar Display (Nanjing) Corporation	Sales revenue	30,806	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	<u>10,023</u>	
		337,511	
Less: Allowance for doubtful accounts		(<u>1,587</u>)	
		<u>\$ 335,924</u>	
Related parties			
Innolux	Sales revenue	\$ 668,132	
NBCMMT	Sales revenue	464,737	
Foshan Innolux	Sales revenue	387,872	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	<u>91,526</u>	
		<u>\$ 1,612,267</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF OTHER RECEIVABLES-RELATED PARTIES
DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Accounts receivable financing	\$ 614,119	
Receivables for reduction of investments accounted for using equity method	352,870	
Royalties receivables	54,554	
Others (The amount of individual client does not exceed 5% of the account balance)	1,326	
	<u>\$ 1,022,869</u>	

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

STATEMENT OF INVENTORIES

DECEMBER 31, 2019

Expressed in thousands of NTD

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$ 1,114,114	\$ 956,684	Measured by lower of cost and net realizable value
Work in process	530,374	450,828	
Finished goods	<u>532,547</u>	<u>367,893</u>	
	2,177,035	<u>\$ 1,775,405</u>	
Less: Allowance of valuation loss	(<u>417,053</u>)		
	<u>\$ 1,759,982</u>		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Name	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019		Market Value or	
	Shares		(Note 2)		(Note 2)		Net Assets Value		Unit Price	
	(In thousand)	Amounts	Shares (In thousand)	Amounts	Shares (In thousand)	Amounts	%	Shares (In thousand)	Amounts	(NT\$)
CMIMTS	13,300	\$ 777,253	-	\$ 18,245	-	\$ -	100%	13,300	\$ 795,498	\$ 59.81
CMVVT	20,500	69,903	-	-	-	(56,566)	68.33%	20,500	13,337	0.37
CMMTI	146,500	3,595,918	-	41,888	-	-	100%	146,500	3,637,806	24.83
CHT	100,100	873,405	-	-	(99,600)	(1,022,603)	100%	500	(149,198)	(298.40)
CHI	35,000	284,256	-	-	(34,500)	(407,913)	100%	500	(123,657)	(247.31)
		5,600,735		\$ 60,133		(\$ 1,487,082)			4,173,786	\$ 4,168,067

Add: Transferred to credit
balance of investments
accounted for using equity
method

	272,855
	<u>\$ 4,446,641</u>

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

Note 2: Additions (decreases) are increase in investment in subsidiaries, recognizing investment gains (losses), realized (unrealized) gain on sale, exchange differences on translation of foreign financial statements and unrealized gains (losses) on fair value through other comprehensive income equity instrument.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF COST OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Item	Balance, January 1, 2019	Addition	Decrease	Transfer	Balance, December 31, 2019	Collateral	Note
Land	\$ 1,428,543	\$ -	\$ -	\$ -	\$ 1,428,543	Yes	
Building and structures	3,294,627	-	-	-	3,294,627	Yes	
Machinery and equipment	4,558,332	26,694	(431)	38,124	4,622,719	No	
Office equipment	41,368	5,073	(65)	-	46,376	No	
Factory equipment	3,554,477	20,924	(711)	4,616	3,579,306	No	
Miscellaneous	125,916	3,846	(4,088)	428	126,102	No	
	<u>\$ 13,003,263</u>	<u>\$ 56,537</u>	<u>(\$ 5,295)</u>	<u>\$ 43,168</u>	<u>\$ 13,097,673</u>		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Item	Balance, January 1,2019	Addition	Decrease	Transfer	Balance, December 1,2019	Note
Building and structures	\$ 1,276,038	\$ 129,838	\$ -	\$ -	\$ 1,405,876	Note
Machinery and equipment	4,199,945	134,732	(323)	284	4,334,638	Note
Office equipment	30,926	4,944	(65)	-	35,805	Note
Factory equipment	3,248,630	103,166	(711)	(284)	3,350,801	Note
Miscellaneous	111,428	8,536	(3,941)	-	116,023	Note
	<u>\$ 8,866,967</u>	<u>\$ 381,216</u>	<u>(\$ 5,040)</u>	<u>\$ -</u>	<u>\$ 9,243,143</u>	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2019

Expressed in thousands of NTD

Type	Description	Balance, December 31, 2019	Contract Period	Loan Commitments	Collateral	Note
Unsecured loan	Taiwan Cooperative Bank	\$ 500,000	2018.05.22~2020.03.31	1,500,000	Land, buildings and structures	Note 3
Secured loan	Chang Hwa Commercial Bank	300,000	2019.04.01~2020.03.31	500,000	Land, buildings and structures	Note 3
Financing from sales with buyback agreements	IBT Leasing Co., LTD.	45,834	2019.11.28~2020.11.28	60,000	Machinery and equipment	
Standby L/C loan	Taiwan Cooperative Bank	19,775	2019.12.26~2020.04.24	1,500,000	Land, buildings and structures	
L/C loan	Mega international Commercial Bnak	384,986	2019.01.07~2020.03.31	424,627	No	Note 3
L/C loan	Bank of Taiwan	363,825	2018.12.04~2020.03.31	363,825	No	Note 3
L/C loan	Taiwan Business Bank	143,181	2018.12.06~2020.03.31	143,181	No	Note 3
L/C loan	Hua Nan Commercial Bank	58,570	2019.01.11~2020.03.31	58,570	No	Note 3
L/C loan	Land bank of Taiwan	41,248	2018.12.14~2020.03.31	41,248	No	Note 3
L/C loan	The Shanghai Commercial and Savings Bank	29,850	2019.01.15~2020.03.31	36,958	No	
OA foreign currency loan	The Shanghai Commercial and Savings Bank	7,378	2019.01.10~2020.03.31	36,958	No	
		<u>\$ 1,894,647</u>				

Note 1: The interest rate is 0.63%~4.11%.

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

Note 3: The Company started a debt negotiation meeting with Taiwan Cooperative Bank and other financial institutions, The resolutions of the meeting are that the principal is extended for one year (until the end of March 2020).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
FUJIFILM CORPORATION	Purchase	\$ 240,952	
KONICA MINOLTA, INC.	Purchase	134,622	
DAI NIPPON PRINTING CO., LTD.	Purchase	125,356	
KURARAY TRADING CO.,LTD.	Purchase	112,870	
TOPPAN TOMOEGAWA OPTICAL FILMS CO., LTD.	Purchase	103,503	
MARUBENI PLAX CORPORATION	Purchase	91,927	
SOKEN CHEMICAL & ENGINEERING CO., LTD.	Purchase	78,012	
INABATA & CO., LTD.	Purchase	55,991	
Others (The amount of individual vendor does not exceed	Purchase	126,465	
5% of the account balance)		<u>\$ 1,069,698</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(17).

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

STATEMENT OF COST OF SALES

FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Item	Amount
Raw materials, beginning of year	\$ 1,340,993
Add: Purchase in the period	5,977,063
Less: Raw materials, end of year	(1,114,114)
Transferred to expenses	(372,530)
Sales of raw materials	(50,023)
Scrapping of raw materials	(11,922)
Consumption of raw materials	5,769,467
Direct Labor	447,716
Manufacturing expenses	1,625,912
Manufacturing cost	7,843,095
Add: Work in process, end of year	976,229
Purchase in the period	642
Transferred from finished goods	319,493
Less: Work in process, end of year	(530,374)
Transferred to expenses	(59,577)
Scrapping of raw materials	(1,257)
Sales of raw materials	(367)
Cost of finished goods	8,547,884
Add: Finished goods, beginning of year	520,408
Purchase in the period	155,623
Less: Finished goods, end of year	(532,547)
Transferred from work in process	(319,493)
Transferred to expenses	(9,373)
Scrapping of finished goods	(2,460)
Cost of goods manufactured and sold	8,360,042
Other operating cost - sale of raw materials	50,023
Other operating cost - sale of work in process	367
Revenue from sale of scraps	(54,467)
Reversal of inventory write-down	(54,740)
Loss on disposal of inventories	15,639
Cost of sales	\$ 8,316,864

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 365,453	
Indirect material		319,072	
Utilities expense		218,173	
Wages and salaries		144,889	
Others (minor amount less than 5%)		<u>578,325</u>	
		<u>\$ 1,625,912</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export expenses		\$ 31,948	
Wages and salaries		18,292	
Freight expenses		5,812	
Insurance expenses		5,714	
Others (minor amount less than 5%)		<u>20,475</u>	
		<u>\$ 82,241</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 66,941	
Service fee		56,191	
Amortization expense		10,551	
Others (minor amount less than 5%)		<u>50,937</u>	
		<u>\$ 184,620</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Test and research expense		\$ 99,493	
Wages and salaries		50,057	
Utilities expense		10,524	
Others (minor amount less than 5%)		<u>39,557</u>	
		<u>\$ 199,631</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)
STATEMENT OF FINANCE COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in thousands of NTD

Please refer to Note 6(20).

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

STATEMENT OF CURRENT EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES SUMMARIZED BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

Expressed in thousands of NTD

Classification	Year ended December 31, 2019			Year ended December 31, 2018		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefit expenses	\$ 709,955	\$ 158,384	\$ 868,339	\$ 768,936	\$ 146,437	\$ 915,373
Wages and salaries	563,150	122,477	685,627	625,693	122,714	748,407
Labor and health insurance fees	60,757	11,239	71,996	59,870	7,383	67,253
Pension costs	29,455	6,128	35,583	30,676	5,362	36,038
Board compensation	-	6,685	6,685	-	2,437	2,437
Others	56,593	11,855	68,448	52,697	8,541	61,238
Depreciation expenses	365,453	15,818	381,271	469,163	20,164	489,327
Amortization expenses	3,024	10,961	13,985	2,897	19,814	22,711

Note 1: For the years ended December 31, 2019 and 2018, the average numbers of employees of the Company were 1,134 and 1,096, respectively, there were 4 non-employee directors for both years.

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

(2) The average employee wages and salaries in the current year and prior year were \$607 and \$685, respectively.

(3) Changes in adjustments on average wages and salaries was (11.39%).

Table 1

Cheng Mei Materials Technology Corporation
Loans to others
Year ended December 31, 2019

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding			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
					Balance at December 31, 2019	December 31, 2019	Year ended December 31, 2019							Item	Value			
0	Cheng Mei Materials Technology Co., Ltd.	CM Visual Technology Corporation	Other receivables - related parties	Yes	\$ 108,387	\$ -	\$ -	-	1.82%~4.16%	Business relationship	\$ 51,768	-	\$ -	-	None	\$ 51,768	\$ 5,795,527	Notes 2
0	Cheng Mei Materials Technology Co., Ltd.	CM Visual Technology Corporation	Other receivables - related parties	Yes	85,000	85,000	85,000	2.50%	-	Shot-term financing	-	Operating capital	-	-	None	3,863,505	5,795,527	Notes 2
0	Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	584,307	584,307	529,119	-	-	Business relationship	735,305	-	-	-	None	735,305	5,795,527	Notes 2、8
1	Kunshan Chimei Materials Technology Co., Ltd.	Kunshan Chimei Materials Trading Corp.	Other receivables - related parties	Yes	228,800	-	-	-	4.35%	Short-term financing	-	Operating capital	-	-	None	3,789,650	5,684,475	Notes 3、11
2	Kunshan Chimei Materials Trading Corp.	Hangzhou Rong Jie Trading Co., Ltd.	Other receivables	No	121,099	-	-	-	-	Business relationship	287,949	-	-	-	None	-	-	Notes 4、5、6、12
2	Kunshan Chimei Materials Trading Corp.	Kunshan Chimei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	129,150	129,150	129,150	4.35%	-	Short-term financing	-	Operating capital	-	-	None	94,083	141,126	Note 4、12
2	Kunshan Chimei Materials Trading Corp.	Xi'an Jinyahongtai New Materials Technology Co., Ltd.	Other receivables - related parties	Yes	2,256	-	-	-	4.35%	Short-term financing	-	Operating capital	-	-	None	94,083	141,126	Note 4、12
2	Kunshan Chimei Materials Trading Corp.	Zhejiang Zheng Jie Trading Co., Ltd.	Other receivables - related parties	Yes	270,459	-	-	-	-	Business relationship	529,234	-	-	-	None	-	-	Notes 4、5、6、12
3	Ningbo Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	256,617	256,617	221,718	-	-	Business relationship	169,426	-	-	-	None	169,426	318,293	Notes 7、8、13
4	Cheng Hui Trading Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	490,000	-	-	-	2.2%	Shot-term financing	-	Operating capital	-	-	None	-	-	Notes 9
5	Cheng Hui Investment Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	100,000	-	-	-	2.2%	Shot-term financing	-	Operating capital	-	-	None	-	-	Notes 10

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 60% of net assets in the latest financial statements of the Company, limit on loans to a single party ceiling on total loans is 40% 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 60% 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 Kunshan Chimei Materials Technology Co., Ltd.'s "Procedures for Provision of Loans", limit on loans to a single party ceiling on total loans is 40% of the Kunshan Chimei Materials Technology Co., Ltd.'s net assets. Ceiling on total loans is 60% of the Kunshan Chimei Materials Technology Co., Ltd.'s net asset.

Note 4: According to the Kunshan Chimei Materials Trading Corp.'s "Procedures for Provision of Loans", loans are limited to Kunshan Chimei Materials Trading Corp.'s and wholly-owned subsidiaries, and do not be loaned to others. Limit on a single party ceiling on loans to total loans is 40% of the Kunshan Chimei Material Trading Corp.'s net assets, ceiling on total loan is 60% of the Kunshan Chimei Material Trading Corp.'s net assets.

Note 5: Kunshan Chimei Material Trading Corp and the companies are traded by triangle trade, and the amount of business transactions is calculated based on the total revenue.

Note 6: This is the summation of accounts receivables and the advance payment of inventory which resulted from the triangular trade conducted in Kunshan Chimei Material Trading Corp. The Group regarded it as a loan to the companies with business relationship.

Note 7: 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 8: 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 9: In accordance with Cheng Hui Trading Co., Ltd.'s "Procedures for Provision of Loans", loans are limited to wholly-owned parent company and subsidiaries, and do not loan to others.

Note 10: In accordance with Cheng Hui Investment Co., Ltd.'s "Procedures for Provision of Loans", loans are limited to wholly-owned parent company and subsidiaries, and do not loan to others.

Note 11: 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 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.

Note 12: Due to KSCMS and XJHM both were the subsidiaries of KSCMMT, 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 13: Ningbo Cheng Mei Materials Technology Co. Ltd. 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, Ningbo Cheng Mei Materials Technology Co. Ltd.'s limit on loans to Kunshan Chimei Material Trading Corp. had exceeded the limit specified in Ningbo Cheng Mei Materials Technology Co. Ltd.'s "Procedures for Provision of Loans". As of March 18, 2020, the improvement plan is still under study.

Cheng Mei Materials Technology Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2019

Expressed in thousands of NTD

Table 2

Party being endorsed/guaranteed														
Number (Note 1)	Endorser/ guarantor	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding		Outstanding endorsement/ guarantee amount as of December 31, 2019	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
				2019	\$									
0	Cheng Mei Materials Technology Corporation	4	\$ 4,829,381	\$ 1,199,200	\$ 1,199,200	\$ -	\$ -	-	12.42	\$ 9,658,762	Y	N	N	Note 3,4
0	Cheng Mei Materials Technology Corporation	6	4,829,381	3,444,732	3,444,732	2,342,259	-	-	35.66	9,658,762	Y	N	Y	Note 3,4,7
1	Kunshan Chimei Materials Technology Co., Ltd.	4	5,684,475	1,722,000	861,000	91,609	-	-	18.18	9,474,125	N	N	Y	Note 5,6,8

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

(1) The Company is 'V'

(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: In accordance with Kunshan Chimei Materials Technology Co., Ltd.'s related regulations, the limit of endorsements and guarantees for any single entity is 60% of the Kunshan Chimei Materials Technology Co., Ltd.'s net worth based on the latest financial statements.

Note 6: In accordance with Kunshan Chimei Materials Technology Co., Ltd.'s related regulations, the limit of endorsements and guarantees for total accumulated amount is Kunshan Chimei Materials Technology Co., Ltd.'s net worth based on the latest financial statements.

Note 7: The Company's endorsement/guarantee amount to Kunshan Chimei Materials Technology Co., Ltd. is calculated based on the current shareholding ratio. Because Kunshan Chimei Materials Technology Co., Ltd. increased its capital in cash, the Company's shareholding ratio was decreased. The Company has set up an improvement plan and submitted to the audit committee. The Company implemented the improvement plan as scheduled.

Note 8: In December 2019, Kunshan Chimei Materials Technology Co., Ltd. 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 Kunshan Chimei Materials Technology Co., Ltd., the Group lost its control over Kunshan Chimei Materials Technology Co., Ltd.. Therefore, Kunshan Chimei Materials Technology Co., Ltd. is no longer included in the Group's consolidated financial statements.

Cheng Mei Materials Technology Corporation

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2019

Table 3

Expressed in thousands of NTD

Securities held by Cheng Mei Materials Technology Corporation	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 147,643	6.54%	\$ 147,643	-
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.

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:											Reason for	
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Other status of the real estate	Production line and warehouse
Kunshan Chimei Materials Technology Co., Ltd.	Electrical equipment of clean room and warehouse	2018/10/30	RMB 146,966 thousands	RMB 89,482 thousands	None	CTC1 Shanghai Co., Ltd.	None	None	None	Based on the price specified in the order		N/A

Cheng Mei Materials Technology Corporation

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

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

Differences in transaction terms compared to third party transactions											
Transaction			Relationship with the counterparty				Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty		Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 2,906,266)	(36%)	-	-	-	\$ 464,737	24%	Note2
Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Subsidiary	Sales	(735,305)	(9%)	-	-	-	52,995	3%	Note1
Cheng Mei Materials Technology Co., Ltd.	Innolux Corporation	Related party	Sales	(1,704,889)	(21%)	-	-	-	668,132	34%	
Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	(674,639)	(8%)	-	-	-	387,872	20%	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Parent	Sales	(152,278)	(4%)	-	-	-	46,101	5%	Note2
Ningbo Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Brother-Sister	Sales	(169,426)	(5%)	-	-	-	2,130	0%	Note 1
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Related party	Sales	(1,300,220)	(35%)	-	-	-	534,302	57%	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	(271,926)	(7%)	-	-	-	89,766	10%	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Display Ltd.	Related party	Sales	(362,087)	(10%)	-	-	-	189,779	20%	
Kunshan Chimei Materials Technology Co., Ltd.	Kunshan Chimei Materials Trading Corp.	Subsidiary	Sales	(338,499)	(5%)	-	-	-	85,941	4%	Note 1
Kunshan Chimei Materials Technology Co., Ltd.	Shengzhen SAPO photoelectric Co., Ltd.	Related party	Sales	(607,333)	(9%)	-	-	-	296,148	15%	Note 1
Kunshan Chimei Materials Technology Co., Ltd.	Shengzhen SAPO photoelectric Co., Ltd.	Related party	Purchases	654,128	11%	-	-	-	(229,832)	(12%)	Note 1

Note 1: Kunshan Chimei Materials Technology Co., Ltd. has not been a subsidiary of the Company since December 24, 2019.

Note 2: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.
The eliminated amount for the year ended December 31, 2019 was \$112,437.

Cheng Mei Materials Technology Corporation

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

December 31, 2019

Table 6

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	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 \$ 464,737	4.37	\$ -	-	\$ 174,372	-
Cheng Mei Materials Technology Corporation	Kunshan Chimei Materials Technology Co., Ltd.	Associates	Accounts receivable 52,995	6.82	12,080	Dunning	-	-
Cheng Mei Materials Technology Corporation	Kunshan Chimei Materials Technology Co., Ltd.	Associates	Other receivable 583,673	-	-	-	80,416	-
Cheng Mei Materials Technology Corporation	Innolux Corporation	Related party	Accounts receivable 668,132	3.12	-	-	176,985	-
Cheng Mei Materials Technology Corporation	Foshan Innolux Optoelectronics Ltd	Related party	Accounts receivable 387,872	3.19	-	-	68,159	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	Associates	Other receivable 221,718	-	-	-	-	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Optoelectronics Ltd	Related party	Accounts receivable 534,302	2.98	-	-	104,742	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Display Ltd	Related party	Accounts receivable 189,779	2.53	-	-	44,983	-

Cheng Mei Materials Technology Corporation

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Expressed in thousands of NTD

Table 7

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)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 2,906,266	-
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	464,737	-
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Sales	53,367	-
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Accounts receivable	34,487	-
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Other receivable	85,000	-
0	Cheng Mei Materials Technology Corporation	Kunshan Chimei Materials Technology Co., Ltd.	1	Sales	735,305	-
0	Cheng Mei Materials Technology Corporation	Kunshan Chimei Materials Technology Co., Ltd.	1	Other revenue	60,357	-
0	Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	1	Other receivable	206,000	-
0	Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	1	Other receivable	146,870	-
0	Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	1	Endorsement / Guarantee	1,199,200	-
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	152,278	-
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	46,101	-
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Kunshan Chimei Materials Technology Co., Ltd.	3	Sales	169,426	-
2	Kunshan Chimei Materials Technology Co., Ltd.	Kunshan Chimei Materials Trading Corp.	3	Sales	338,499	-

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

Cheng Mei Materials Technology Corporation

Information on investees (not including investees in Mainland China)

Year ended December 31, 2019

Expressed in thousands of NTD

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Net profit (loss) of the investee for the Year ended December 31, 2019 (Note 1)	Investment income(loss) recognised by the Company for year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares (in thousand)	Ownership (%)			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 795,498	\$ 49,170	Note 1
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33%	13,337 (	75,906) (	56,566) Note 1
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	3,637,806	87,091	87,091 Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	5,000	350,000	500	100%	(123,657) (	46,524) (	46,524) Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	5,000	1,001,000	500	100%	(149,198) (	23,200) (	23,200) Note 1
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	3,300	11%	1,226 (	75,906)	Note 2 Note 1
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	-	1,000	100%	28,792 (	177)	Note 2 Note 1

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

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

Cheng Mei Materials Technology Corporation
Information on investments in Mainland China
Year ended December 31, 2019

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Investment method (Note 1)	Paid-in capital	Accumulated amount of remittance from Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Taiwan to Mainland China	Taiwan for the year ended December 31, 2019				as of December 31, 2019	as of December 31, 2019		
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	2	\$ 568,026	\$ 398,734	-	-	\$ 398,734	100.00	\$ 49,195	\$ 795,732	\$ -	-	Note 2
Kunshan Chimei Materials Technology Co., Ltd.	Electronic component manufacture and sale	2	10,870,797	4,392,070	-	-	4,392,070	38.40	(53,336)	3,638,064	-	-	Note 2
Kunshan Chimei Materials Trading Corp.	Trading	2	215,250	-	-	-	-	38.40	41,317	90,320	-	-	Note 2
Xi'an Jinyachongtai New Materials Technology Co., Ltd.	Electronic component manufacture and sale	2	8,825	-	-	-	-	38.40	954	1,349	-	-	Note 2
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	2	29,980	-	29,080	-	29,080	100.00	(55)	29,808	-	-	Note 2
Company name				as of December 31, 2019	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)							
Cheng Mei Materials Technology Corporation			\$4,820,784	\$4,820,784	\$5,804,858								

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 Technology (Samoa) Corporation, Chi Mei Materials Technology Investment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The investment profit or loss was recognised basing on the financial statements that were audited and attested by R.O.C. parent company's CPA.

Note 3: 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 30.92 to US\$1 from January 1, 2019 to December 31, 2019, otherwise are re-translated at the exchange rates of NTD 29.98 to US\$1 prevailing at the end of the financial reporting period.

Note 4: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation

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

Year ended December 31, 2019

Table 10

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Maximum outstanding Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Others
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,906,266	36%	\$ -	-	\$ 464,737	24%	\$ -	-	-	\$ -	-	\$ -
Ningbo Cheng Mei Materials Technology Co., Ltd.	(152,278)	2%	-	-	(46,101)	4%	-	-	-	-	-	-
Kunshan Chimei Materials Technology Co., Ltd.	735,305	9%	-	-	52,995	3%	3,444,732	Endorsement / Guarantee	584,307	584,307	-	-
						</						

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.
The eliminated amount for the year ended December 31, 2019 was \$112,437.