

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
SEPTEMBER 30, 2021 AND 2020 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
1. Cover Page	1
2. Table of Contents	2 ~ 3
3. Independent Auditors' Review Report	4 ~ 5
4. Consolidated Balance Sheets	6 ~ 7
5. Consolidated Statements of Comprehensive Income	8
6. Consolidated Statements of Changes in Equity	9
7. Consolidated Statements of Cash Flows	10 ~ 11
8. Notes to the Consolidated Financial Statements	12 ~ 67
(1) HISTORY AND ORGANISATION	12
(2) THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION	12
(3) APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS	12 ~ 13
(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14 ~ 16
(5) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND	16

Contents	Page
KEY SOURCES OF ASSUMPTION UNCERTAINTY	
(6) DETAILS OF SIGNIFICANT ACCOUNTS	16 ~ 48
(7) RELATED PARTY TRANSACTIONS	48 ~ 51
(8) PLEDGED ASSETS	52
(9) SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS	52
(10) SIGNIFICANT DISASTER LOSS	53
(11) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	53
(12) OTHERS	53 ~ 65
(13) SUPPLEMENTARY DISCLOSURES	65
(14) SEGMENT INFORMATION	66 ~ 67

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To Cheng Mei Materials Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Mei Materials Technology Corporation and subsidiaries (collectively referred herein as the “Group”) as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(8)(9), the financial statements of certain insignificant subsidiaries and investments accounted for using the equity method (including those transferred to non-current assets classified as held for sale, net) were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method and non-current assets classified as held for sale, net) of NT\$4,568,676 thousand and NT\$3,917,913 thousand, constituting 29.17% and 28.26% of the consolidated total assets, and total liabilities of NT\$41

thousand and NT\$28,475 thousand, constituting 0.00% and 0.64% of the consolidated total liabilities as at September 30, 2021 and 2020, and total comprehensive income (including share of the profit of associates and joint ventures accounted for using the equity method) of NT\$171,179 thousand, NT\$39,960 thousand, NT\$495,038 thousand, and NT\$39,006 thousand, constituting 73.03%, 46.77%, 79.26%, and (15.00%) of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method (including those transferred to non-current assets held for sales, net) been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Chien-Chih

Liu, Tzu-Meng

For and on behalf of PricewaterhouseCoopers, Taiwan

November 3, 2021

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

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2021, DECEMBER 31, 2020, AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 582,211	4	\$ 412,618	3	\$ 465,618	3
1110	Current financial assets at fair value through profit or loss	6(2)	1	-	1,062	-	-	-
1136	Current financial assets at amortised cost	6(4) and 8	544,630	4	304,592	2	195,245	2
1170	Accounts receivable, net	6(5)	2,726,855	17	2,611,983	18	2,142,436	16
1180	Accounts receivable, net - related parties	6(5) and 7	57,905	-	44,720	-	452	-
1200	Other receivables		69,536	-	65,233	1	54,384	-
1210	Other receivables - related parties	7	2,339	-	54,041	-	251,101	2
1220	Current tax assets		547	-	732	-	744	-
130X	Inventories	6(6)	2,511,143	16	2,505,093	17	2,263,525	16
1410	Prepayments	6(7)	187,470	1	239,697	2	278,302	2
1460	Non-current assets classified as held for sale, net	6(8)	4,477,716	29	-	-	-	-
1479	Other current assets		5,920	-	9,596	-	12,950	-
11XX	Total current assets		11,166,273	71	6,249,367	43	5,664,757	41
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	133,096	1	140,849	1	162,267	1
1550	Investments accounted for using equity method	6(9)	53,856	-	3,948,618	27	3,687,672	27
1600	Property, plant and equipment	6(10) and 8	3,985,175	26	4,000,705	27	4,081,950	29
1755	Right-of-use assets	6(11)	30,507	-	30,782	-	29,978	-
1780	Intangible assets	6(12)	8,835	-	8,508	-	24,970	-
1840	Deferred tax assets		218,027	2	89,720	1	76,381	1
1915	Prepayments for equipment		55,490	-	94,335	1	126,391	1
1990	Other non-current assets		8,790	-	8,791	-	8,915	-
15XX	Total non-current assets		4,493,776	29	8,322,308	57	8,198,524	59
1XXX	Total assets		\$ 15,660,049	100	\$ 14,571,675	100	\$ 13,863,281	100

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020, AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity			September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(13) and 8	\$ 2,712,611	17	\$ 2,548,884	18	\$ 2,411,036	17
2120	Current financial liabilities at fair value through profit or loss	6(2)	7,064	-	-	-	138	-
2130	Contract liabilities	6(21) and 7	30,791	-	51,627	-	57,331	-
2170	Accounts payable		1,049,158	7	1,344,723	9	1,239,087	9
2180	Accounts payable - related parties	7	805	-	2,430	-	1,201	-
2200	Other payables	6(14)	427,480	3	411,849	3	352,833	3
2260	Liabilities related to non-current assets classified as held for sale	6(8)	264	-	-	-	-	-
2280	Current lease liabilities		454	-	55	-	55	-
2320	Current portion of long-term liabilities	6(15) and 8	370,833	2	228,912	2	203,242	2
2399	Other current liabilities		11,058	-	7,408	-	8,465	-
21XX	Total current liabilities		4,610,518	29	4,595,888	32	4,273,388	31
Non-current liabilities								
2540	Long-term borrowings	6(15) and 8	422,708	3	318,028	2	152,358	1
2570	Deferred tax liabilities		212,565	1	36,013	-	22,674	-
2580	Non-current lease liabilities		699	-	90	-	104	-
2645	Guarantee deposits		40	-	40	-	40	-
25XX	Total non-current liabilities		636,012	4	354,171	2	175,176	1
2XXX	Total liabilities		5,246,530	33	4,950,059	34	4,448,564	32
Equity attributable to the owners of the company								
Share capital								
3110	Common shares	6(17)(18)	6,707,285	43	6,657,285	46	6,657,285	48
Capital surplus								
3200	Capital surplus	6(19)	1,099,179	7	938,942	6	938,942	7
Retained earnings								
3310	Legal reserve	6(20)	1,085,124	7	1,085,124	7	1,085,124	8
3320	Special reserve		623,368	4	676,861	5	676,861	5
3350	Unappropriated retained earnings		1,661,311	11	886,772	6	762,462	5
Other equity interest								
3400	Other equity interest	6(8)	(762,748)	(5)	(623,368)	(4)	(721,221)	(5)
31XX	Total equity attributable to owners of the Company		10,413,519	67	9,621,616	66	9,399,453	68
36XX	Non-controlling interest		-	-	-	-	15,264	-
3XXX	Total equity		10,413,519	67	9,621,616	66	9,414,717	68
Significant contingent liabilities and unrecognized contract commitments								
3X2X	Total liabilities and equity	7 and 9	\$ 15,660,049	100	\$ 14,571,675	100	\$ 13,863,281	100

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)
(UNAUDITED)

	Items	Notes	Three months ended September 30				Nine months ended September 30			
			2021		2020		2021		2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Net sales	6(21) and 7	\$ 2,821,542	100	\$ 2,389,394	100	\$ 8,315,529	100	\$ 6,695,531	100
5000	Cost of sales	6(6)(12)(26)(27) and 7	(2,543,050)	(90)	(2,283,556)	(96)	(7,673,203)	(92)	(6,562,474)	(98)
5900	Gross loss		<u>278,492</u>	<u>10</u>	<u>105,838</u>	<u>4</u>	<u>642,326</u>	<u>8</u>	<u>133,057</u>	<u>2</u>
	Operating expenses	6(12)(26)(27) and 12(2)								
6100	Selling and marketing expenses		(58,153)	(2)	(42,384)	(2)	(152,393)	(2)	(111,537)	(2)
6200	General and administrative expenses		(77,613)	(3)	(51,890)	(2)	(199,560)	(2)	(154,311)	(2)
6300	Research and development expenses		(56,198)	(2)	(53,697)	(2)	(139,937)	(2)	(140,397)	(2)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		(22)	-	-	-	6,128	-	-	-
6000	Total operating expenses		(191,986)	(7)	(147,971)	(6)	(485,762)	(6)	(406,245)	(6)
6900	Profit (loss) from operations		<u>86,506</u>	<u>3</u>	<u>42,133</u>	<u>(2)</u>	<u>156,564</u>	<u>2</u>	<u>(273,188)</u>	<u>(4)</u>
	Non-operating income and expenses									
7100	Interest income	6(22)	1,355	-	1,387	-	5,376	-	3,208	-
7010	Other income	6(23) and 7	18,290	1	16,332	1	54,737	1	62,744	1
7020	Other gains and losses	6(2)(24)	5,653	-	(6,355)	-	106,177	1	(34,145)	-
7050	Finance costs	6(25)	(16,231)	-	(16,712)	(1)	(49,240)	(1)	(53,260)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(9)	<u>171,201</u>	<u>6</u>	<u>50,433</u>	<u>2</u>	<u>495,669</u>	<u>6</u>	<u>79,849</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>180,268</u>	<u>7</u>	<u>45,085</u>	<u>2</u>	<u>612,719</u>	<u>7</u>	<u>58,396</u>	<u>1</u>
7900	Profit (loss) before income tax		<u>266,774</u>	<u>10</u>	<u>2,952</u>	<u>-</u>	<u>769,283</u>	<u>9</u>	<u>(214,792)</u>	<u>(3)</u>
7950	Income tax expense	6(28)	(21,391)	(1)	(181)	-	(48,237)	-	(894)	-
8200	Profit (loss) for the period		<u>\$ 245,383</u>	<u>9</u>	<u>\$ 2,771</u>	<u>-</u>	<u>\$ 721,046</u>	<u>9</u>	<u>(\$ 215,686)</u>	<u>(3)</u>
	Other comprehensive loss									
	Items that may not be reclassified subsequently to profit or loss									
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 5,569)	(1)	\$ -	-	(\$ 7,753)	-	(\$ 7,473)	-
	Items that may be reclassified subsequently to profit or loss									
8361	Exchange differences on translation of foreign financial statements		(5,416)	-	82,664	4	(88,739)	(1)	(36,887)	(1)
8300	Total other comprehensive (loss) income, net		<u>(\$ 10,985)</u>	<u>(1)</u>	<u>\$ 82,664</u>	<u>4</u>	<u>(\$ 96,492)</u>	<u>(1)</u>	<u>(\$ 44,360)</u>	<u>(1)</u>
8500	Total comprehensive income (loss) for the period		<u>\$ 234,398</u>	<u>8</u>	<u>\$ 85,435</u>	<u>4</u>	<u>\$ 624,554</u>	<u>8</u>	<u>(\$ 260,046)</u>	<u>(4)</u>
	Net profit (loss) attributable to:									
8610	Owners of the Company		\$ 245,383	9	\$ 3,360	-	\$ 721,046	9	(\$ 209,865)	(3)
8620	Non-controlling interests		-	-	(589)	-	-	-	(5,821)	-
	Net loss		<u>\$ 245,383</u>	<u>9</u>	<u>\$ 2,771</u>	<u>-</u>	<u>\$ 721,046</u>	<u>9</u>	<u>(\$ 215,686)</u>	<u>(3)</u>
	Total comprehensive income (loss) attributable to:									
8710	Owners of the Company		\$ 234,398	8	\$ 86,024	4	\$ 624,554	8	(\$ 254,225)	(4)
8720	Non-controlling interests		-	-	(589)	-	-	-	(5,821)	-
			<u>\$ 234,398</u>	<u>8</u>	<u>\$ 85,435</u>	<u>4</u>	<u>\$ 624,554</u>	<u>8</u>	<u>(\$ 260,046)</u>	<u>(4)</u>
	Earnings (loss) per share	6(29)								
9750	Basic earnings (loss) per share		<u>\$ 0.37</u>		<u>\$ 0.01</u>		<u>\$ 1.08</u>		<u>(\$ 0.32)</u>	
9850	Diluted earnings (loss) per share		<u>\$ 0.37</u>		<u>\$ 0.01</u>		<u>\$ 1.08</u>		<u>(\$ 0.32)</u>	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
Notes	Retained Earnings					Other equity interest				Total	Non-controlling interest	Total equity
	Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Unearned compensation			
<u>For the nine months ended September 30, 2020</u>												
Balance at January 1, 2020	\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ -	\$ -	\$ 9,658,762	\$ 16,001	\$ 9,674,763
Net loss for the period	-	-	-	-	(209,865)	-	-	-	-	(209,865)	(5,821)	(215,686)
Other comprehensive loss for the period	6(3)	-	-	-	-	(36,887)	(7,473)	-	-	(44,360)	-	(44,360)
Total comprehensive loss for the period	-	-	-	-	(209,865)	(36,887)	(7,473)	-	-	(254,225)	(5,821)	(260,046)
Changes in ownership interests in subsidiaries	6(19)(30)	-	(5,084)	-	-	-	-	-	-	(5,084)	5,084	-
Appropriations and distribution of 2019 earnings:												
Special reserve	6(20)	-	-	-	229,331	(229,331)	-	-	-	-	-	-
Balance at September 30, 2020	\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 762,462	(\$ 530,510)	(\$ 190,711)	\$ -	\$ -	\$ 9,399,453	\$ 15,264	\$ 9,414,717
<u>For the nine months ended September 30, 2021</u>												
Balance at January 1, 2021	\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ -	\$ -	\$ 9,621,616	\$ -	\$ 9,621,616
Net profit for the period	-	-	-	-	721,046	-	-	-	-	721,046	-	721,046
Other comprehensive loss for the period	6(3)	-	-	-	-	(88,739)	(7,753)	-	-	(96,492)	-	(96,492)
Total comprehensive income (loss) for the period	-	-	-	-	721,046	(88,739)	(7,753)	-	-	624,554	-	624,554
Appropriations and distribution of 2020 earnings:												
Special reserve	6(20)	-	-	-	(53,493)	53,493	-	-	-	-	-	-
Share-based payments	6(17)(18)(19)	50,000	3,903	-	-	-	-	-	(42,888)	11,015	-	11,015
Changes in equity of associates and joint ventures accounted for using equity method	6(9)(19)	-	156,334	-	-	-	-	-	-	156,334	-	156,334
Transferred to non-current assets classified as held for sale	6(8)	-	-	-	-	370,884	-	(370,884)	-	-	-	-
Balance at September 30, 2021	\$ 6,707,285	\$ 1,099,179	\$ 1,085,124	\$ 623,368	\$ 1,661,311	(\$ 129,094)	(\$ 219,882)	(\$ 370,884)	(\$ 42,888)	\$ 10,413,519	\$ -	\$ 10,413,519

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTH ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 769,283	(\$ 214,792)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based compensation cost	6(17)	11,015	-
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(24)	23,279	20,210
Expected credit gain	12(2)	(6,128)	-
Share of profit of associates and joint ventures accounted for using equity method	6(9)	(495,669)	(79,849)
Depreciation expense	6(10)(11)(26)	283,737	328,220
Loss on disposal of property, plant and equipment	6(24)	-	(1,947)
Amortization expense	6(12)(26)	7,817	10,660
Interest income	6(22)	(5,376)	(3,208)
Dividend income	6(23)	-	(712)
Interest expense	6(25)	49,240	53,260
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		22,894	22,296
Accounts receivable	(	108,688)	(1,724,430)
Accounts receivable - related parties	(	13,185)	1,933,158
Other receivables	(	3,448)	2,538
Other receivables - related parties		51,702	1,604
Inventories	(	6,050)	(117,456)
Prepayments		52,910	(206,434)
Other current assets		3,676	5,332
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	38,048)	(41,797)
Current contract liabilities	(	20,836)	35,162
Accounts payable	(	295,565)	167,079
Accounts payable - related parties	(	1,625)	(39)
Other payables		4,215	(78,968)
Other current liabilities		3,650	(425)
Cash inflow generated from operations		288,800	109,462
Interest received		4,561	4,289
Dividend received		-	712
Interest paid	(	48,586)	(57,971)
Income tax paid	(	6)	(1,354)
Income tax refund		199	722
Net cash flows from operating activities		244,968	55,860

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTH ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30 2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in current financial assets at amortised cost		(\$ 240,038)	\$ 7,262
Decrease in other receivables - related parties		-	552,686
Acquisition of property, plant and equipment	6(31)	(186,748)	(38,269)
Proceeds from disposal of property, plant and equipment		457	4,030
Acquisition of intangible assets	6(12)	(8,144)	(3,045)
Increase in equipment prepayments		(37,672)	(81,543)
Increase in other non-current assets		1	209
Net cash flows (used in) from investing activities		(472,144)	441,330
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(32)	3,562,134	2,969,279
Repayments of short-term borrowings	6(32)	(3,353,210)	(3,319,667)
Payments of lease liabilities	6(32)	(203)	(41)
Proceeds of long-term borrowings	6(32)	258,060	155,600
Repayments of long-term borrowings	6(32)	(11,459)	-
Net cash flows from (used in) financing activities		455,322	(194,829)
Effect of exchange rate changes on cash and cash equivalents		(58,548)	(29,685)
Net increase in cash and cash equivalents		169,598	272,676
Cash and cash equivalents at beginning of period	6(1)	412,618	192,942
Cash and cash equivalents at end of period	6(1)	\$ 582,216	\$ 465,618
The components of cash and cash equivalents			
Cash and cash equivalents reported in the balance sheet		\$ 582,211	\$ 465,618
Cash and cash equivalents classified as non-current assets held for sale	6(8)	5	-
Cash and cash equivalents at end of reporting period		\$ 582,216	\$ 465,618

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

(1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depositary shares.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on November 1, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform—Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond June 30, 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. The consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the 2020 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
Cheng Mei Materials Technology Corporation ("CMMT")	Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment Company	100%	100%	100%	-
	CM Visual Technology Corporation ("CMVT")	Electronic component manufacturing and selling	22.96%	22.96%	96.04%	Note 1, 3
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment Company	100%	100%	100%	Note 4
	Cheng Hui Investment Co., Ltd. ("CHI")	Investment Company	100%	100%	100%	Note 3
	Cheng Hui Trading Co., Ltd. ("CHT")	Trading business	100%	100%	100%	Note 3
CMMTS	Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacturing and selling	100%	100%	100%	-
CHI	CMVT	Electronic component manufacturing and selling	0.33%	0.33%	1.38%	Note 1, 3
CHT	Mao Fong Group Co., Ltd. (Mao Fong Group)	Investment Company	100%	100%	100%	Note 3
Mao Fong Group	Kunshan Xin Mao Fong International Trading Co., Ltd. ("KSMF")	Trading business	-	-	100%	Note 2, 3

Note 1: In July 2020, CMVT increased its capital through cash infusion. The Company subscribed all the shares, therefore, the shareholding ratio of the Company and CHI was increased from 68.33% to 96.04% and decreased from 11% to 1.38%, respectively. In October 2020, CMVT increased its capital through cash infusion, however the Company waived its right to participate in the capital increase. As a result, the shareholding ratio of the Company and CHI was decreased to 22.96% and 0.33%, respectively. CMVT reelected its directors and the Group lost its control over CMVT. Therefore, CMVT is no longer included in the Group's consolidated financial statements. Please refer to Note 6(30) for details.

Note 2: The cancellation of registration was completed on October 30, 2020.

Note 3: The financial statement of the entity as of and for the nine months ended September 30, 2021 and 2020 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 4: On September 25, 2021, the Board of Directors at their meeting promised to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

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

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

E. Significant restrictions: None.

(4) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(5) Employee share-based payment

Restricted stocks:

A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

B. For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

C. For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting periods, the Company will redeem without consideration and retire those stocks.

(6) Income tax

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

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

There have been no significant changes as of September 30, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand and revolving funds	\$ 525	\$ 503	\$ 430
Checking accounts and demand deposits	331,545	180,134	230,393
Time deposits	250,141	231,981	234,795
	<u>\$ 582,211</u>	<u>\$ 412,618</u>	<u>\$ 465,618</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.
- C. Time deposits were classified as cash and cash equivalents with original maturities of less than three months. The Group has no time deposits pledged to others.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivatives	\$ 1	\$ 1,062	\$ -
Debt instruments	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	3,501	4,562	3,500
Valuation adjustment	(<u>3,500</u>)	(<u>3,500</u>)	(<u>3,500</u>)
	<u>\$ 1</u>	<u>\$ 1,062</u>	<u>\$ -</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Financial liabilities held for trading			
Derivatives	\$ <u>7,064</u>	\$ -	\$ <u>138</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:

	<u>Three months ended September 30, 2021</u>	<u>Three months ended September 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 11,614	\$ 6,868
Financial liabilities held for trading		
Derivatives	(<u>9,716</u>)	(<u>8,945</u>)
	<u>\$ 1,898</u>	<u>(\$ 2,077)</u>

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 21,833	\$ 21,725
Financial liabilities held for trading		
Derivatives	(45,112)	(41,935)
	(\$ 23,279)	(\$ 20,210)

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

	September 30, 2021		December 31, 2020	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 223,700 thousand	2021.9~2021.11	JPY 206,702 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 103,520 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 207,040 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 206,940 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 186,696 thousand	2020.12~2021.01
	September 30, 2021		December 31, 2020	
Derivative Financial Liabilities	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 220,488 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	TWD 55,544 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	TWD 49,882 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 220,580 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 220,560 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 220,560 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,640 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,280 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,720 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,980 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,980 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,160 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 221,400 thousand	2021.9~2021.11	-	-
Forward foreign exchange contracts	JPY 111,280 thousand	2021.9~2021.11	-	-
Forward foreign exchange contracts	JPY 223,080 thousand	2021.9~2021.11	-	-
Forward foreign exchange contracts	JPY 222,840 thousand	2021.9~2021.10	-	-
Forward foreign exchange contracts	JPY 223,280 thousand	2021.9~2021.11	-	-

Derivative Financial Assets	September 30, 2020	
	Contract Amount (notional principal)	Contract Period
Current items:		
Forward foreign exchange contracts	USD 430 thousand	2020.9~2020.10
Forward foreign exchange contracts	JPY 210,740 thousand	2020.9~2020.10

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

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

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

Items	September 30, 2021	December 31, 2020	September 30, 2020
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 352,978	\$ 352,978	\$ 352,978
Valuation adjustment	(219,882)	(212,129)	(190,711)
	<u>\$ 133,096</u>	<u>\$ 140,849</u>	<u>\$ 162,267</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$133,096, \$140,849 and \$162,267 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended September 30, 2021	Three months ended September 30, 2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 5,569)	\$ -
	<u>Nine months ended September 30, 2021</u>	<u>Nine months ended September 30, 2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 7,753)	(\$ 7,473)

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

(4) Financial assets at amortised cost

Items	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Escrow demand deposits	\$ 530,275	\$ 208,630	\$ 189,245
Pledged deposit	14,355	6,000	6,000
Investment in debt instrument without active market	49,000	49,000	49,000
Time deposits with original maturities of more than three months	-	89,962	-
	593,630	353,592	244,245
Less : Accumulated impairment	(49,000)	(49,000)	(49,000)
	<u>\$ 544,630</u>	<u>\$ 304,592</u>	<u>\$ 195,245</u>

A. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$544,630, \$304,592 and \$195,245, respectively.

B. Details of the Group'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

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable (including related parties)	\$ 2,784,760	\$ 2,662,887	\$ 2,148,919
Less : Allowance for uncollectible accounts	-	(6,184)	(6,031)
	<u>\$ 2,784,760</u>	<u>\$ 2,656,703</u>	<u>\$ 2,142,888</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
	Accounts receivable	Accounts receivable	Accounts receivable
Not past due	\$ 2,784,760	\$ 2,433,459	\$ 2,084,367
Up to 30 days	-	105,029	31,582
31 to 60 days	-	69,406	22,111
61 to 90 days	-	46,415	4,769
Over 91 days	-	8,578	6,090
	<u>\$ 2,784,760</u>	<u>\$ 2,662,887</u>	<u>\$ 2,148,919</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2021, December 31, 2020, September 30, 2020, and January 1, 2020, the balances of receivables from contracts with customers amounted to \$2,784,760, \$2,662,887, \$2,148,919 and \$2,359,233, respectively.

C. The Group does not hold any collateral as guarantee for notes and accounts receivable.

D. As of September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$2,784,760, \$2,656,703 and \$2,142,888, respectively.

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

(6) Inventories

September 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,523,115	(\$ 78,328)	\$ 1,444,787
Work in progress	463,816	(23,944)	439,872
Finished goods	763,256	(136,772)	626,484
	<u>\$ 2,750,187</u>	<u>(\$ 239,044)</u>	<u>\$ 2,511,143</u>
December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,507,159	(\$ 68,632)	\$ 1,438,527
Work in progress	526,745	(35,327)	491,418
Finished goods	763,430	(188,282)	575,148
	<u>\$ 2,797,334</u>	<u>(\$ 292,241)</u>	<u>\$ 2,505,093</u>
September 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,228,147	(\$ 81,633)	\$ 1,146,514
Work in progress	643,426	(57,732)	585,694
Finished goods	759,817	(228,500)	531,317
Commodities	76,750	(76,750)	-
	<u>\$ 2,708,140</u>	<u>(\$ 444,615)</u>	<u>\$ 2,263,525</u>

The cost of inventories recognized as expense for the three months and nine months ended September 30, 2021 and 2020 were \$2,543,050, \$2,283,556, \$7,673,203 and \$6,562,474, respectively, including the amounts of \$74,460, \$119,703, \$53,197 and \$274,335 for the three months and nine months ended September 30, 2021 and 2020, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories and scrapping certain inventories that was already provisioned loss in market value decline.

(7) Prepayments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Prepayments to suppliers	\$ 45,534	\$ 115,396	\$ 144,655
Net input VAT	1,797	1,797	8,986
Others	<u>140,139</u>	<u>122,504</u>	<u>124,661</u>
	<u>\$ 187,470</u>	<u>\$ 239,697</u>	<u>\$ 278,302</u>

(8) Non-current assets held for sale

On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI, and the related assets and liabilities were reclassified to the disposal group held for sale. The transaction shall be completed within one year since the reclassification date. As of September 30, 2021, the assets and the liabilities of the disposal group held for sale amounted to \$4,477,716 and \$264, respectively.

A. Assets related to non-current assets classified as held for sale:

	<u>September 30, 2021</u>
Cash and cash equivalents	\$ 5
Investments accounted for using equity method	<u>4,477,711</u>
	<u>\$ 4,477,716</u>

B. Liabilities directly relating to non-current assets or disposal groups classified as held for sale:

	<u>September 30, 2021</u>
Other payables	<u>\$ 264</u>

C. Equity directly relating to non-current assets classified as held for sale:

	<u>September 30, 2021</u>
Exchange differences on translation of foreign financial statements	<u>(\$ 370,884)</u>

(9) Investments accounted for using the equity method

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates:			
HMO	\$ 4,477,711	\$ 3,881,549	\$ 3,687,672
CMVT	<u>53,856</u>	<u>67,069</u>	<u>-</u>
	4,531,567	3,948,618	3,687,672
Less : Transferred to non-current assets classified as held for sale (	<u>4,477,711)</u>	<u>-</u>	<u>-</u>
	<u>\$ 53,856</u>	<u>\$ 3,948,618</u>	<u>\$ 3,687,672</u>

A. In October 2020, CMVT increased its capital through cash infusion, however the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 97.42% to 23.29% and CMVT reelected its directors. Consequently, the Group lost its control over CMVT, but still has significant influence, refer to Note 6(30).

B. Associates

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

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2021	December 31, 2020	September 30, 2020		
HMO	China	28.10%	38.40%	38.40%	Strategic investment	Equity method
CMVT	Taiwan	23.29%	23.29%	-	Strategic investment	Equity method

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

i. HMO

Balance sheet

	HMO		
	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 10,184,000	\$ 8,174,014	\$ 7,716,417
Non-current assets	17,529,775	13,604,351	13,166,708
Current liabilities	(9,009,548)	(8,934,299)	(8,532,057)
Non-current liabilities	(2,768,464)	(2,735,866)	(2,747,755)
Total net assets	<u>\$ 15,935,763</u>	<u>\$ 10,108,200</u>	<u>\$ 9,603,313</u>
Share in associate's net assets	<u>\$ 4,477,711</u>	<u>\$ 3,881,549</u>	<u>\$ 3,687,672</u>

Statement of comprehensive income

	HMO	
	Three months ended September 30, 2021	Three months ended September 30, 2020
Revenue	<u>\$ 4,118,192</u>	<u>\$ 2,533,874</u>
Income for the period from discontinued operations	<u>\$ 775,907</u>	<u>\$ 131,355</u>

	HMO	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue	\$ 11,560,098	\$ 6,476,825
Income for the period from discontinued operations	\$ 1,792,141	\$ 207,940

ii.CMVT

Balance sheet

	CMVT	
	September 30, 2021	December 31, 2020
Current assets	\$ 270,882	\$ 282,787
Non-current assets	56,953	64,308
Current liabilities	(107,271)	(75,705)
Non-current liabilities	(10,757)	-
Total net assets	\$ 209,807	\$ 271,390
Share in associate's net assets	\$ 49,994	\$ 63,207
Goodwill	3,862	3,862
Carrying amount of the joint venture	\$ 53,856	\$ 67,069

Statement of comprehensive income

	CMVT	
	Three months ended September 30, 2021	Nine months ended September 30, 2021
Revenue	\$ 48,826	\$ 118,211
Loss for the period from discontinued operations	(\$ 25,407)	(\$ 57,017)

- (c) In February 2021, HMO increased its capital through cash infusion, however, the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 38.40% to 28.10%. Consequently, the transaction increased the equity of the Group by \$156,334.
- (d) The share of gain of associates and joint ventures accounted for using the equity method for the three months and nine months ended September 30, 2021 and 2020 were \$171,201, \$50,433, \$495,669 and \$79,849, respectively, which were based on the financial statements of the investee companies for the same periods which were not reviewed by independent auditors.

- (e) The Group is the single largest shareholder of HMO with a 28.10% equity interest. Given that two other large shareholders (non-related parties) hold more shares than the Group, which indicate the Group has no current ability to direct the relevant activities of HMO, the Group has no control, but only has significant influence, over the investee.
- (f) On September 25, 2021, the Board of Directors at their meeting promised to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

(10) Property, plant and equipment

	2021							
	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,916,545	\$ 5,299,290	\$ 67,968	\$ 3,681,618	\$ 179,753	\$ 32,899	\$ 14,606,616
Accumulated depreciation and impairment	-	(2,001,769)	(4,901,556)	(58,519)	(3,482,329)	(161,738)	-	(10,605,911)
	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,914,776	\$ 397,734	\$ 9,449	\$ 199,289	\$ 18,015	\$ 32,899	\$ 4,000,705
Additions	-	-	35,003	265	39,121	1,823	121,562	197,774
Disposals	-	-	(457)	-	-	-	-	(457)
Reclassifications	-	-	85,600	-	1,274	(3,914)	(7,126)	75,834
Depreciation charge	-	(111,356)	(116,351)	(2,851)	(48,106)	(4,084)	-	(282,748)
Net exchange differences	-	(2,459)	(3,072)	(6)	(13)	(86)	(297)	(5,933)
Closing net book amount as at September 30	<u>\$ 1,428,543</u>	<u>\$ 1,800,961</u>	<u>\$ 398,457</u>	<u>\$ 6,857</u>	<u>\$ 191,565</u>	<u>\$ 11,754</u>	<u>\$ 147,038</u>	<u>\$ 3,985,175</u>
<u>At September 30</u>								
Cost	\$ 1,428,543	\$ 3,906,315	\$ 5,332,296	\$ 65,891	\$ 3,716,466	\$ 176,233	\$ 147,038	\$ 14,772,782
Accumulated depreciation and impairment	-	(2,105,354)	(4,933,839)	(59,034)	(3,524,901)	(164,479)	-	(10,787,607)
	<u>\$ 1,428,543</u>	<u>\$ 1,800,961</u>	<u>\$ 398,457</u>	<u>\$ 6,857</u>	<u>\$ 191,565</u>	<u>\$ 11,754</u>	<u>\$ 147,038</u>	<u>\$ 3,985,175</u>

2020

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

- A. For the three months and nine months ended September 30, 2021 and 2020, there were no borrowing costs capitalized as part of property, plant and equipment.
- B. As of September 30, 2021, December 31, 2020 and September 30, 2020, the accumulated impairment of property, plant and equipment was \$258,433, \$262,756 and \$256,272, respectively, and the reportable segment was in Mainland China.
- C. The above property, plant and equipment were used for the operations of the Group and were not available for lease.
- D. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(11) Leasing arrangements — lessee

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 29,225	\$ 30,360	\$ 29,822
Buildings	138	279	-
Transportation equipment	1,043	-	-
Other equipment	101	143	156
	<u>\$ 30,507</u>	<u>\$ 30,782</u>	<u>\$ 29,978</u>

	<u>Three months ended</u>	<u>Three months ended</u>
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 213	\$ 204
Buildings	46	-
Transportation equipment	168	-
Other equipment	13	14
	<u>\$ 440</u>	<u>\$ 218</u>

	<u>Nine months ended September 30, 2021</u>	<u>Nine months ended September 30, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 642	\$ 629
Buildings	138	89
Transportation equipment	168	-
Other equipment	41	42
	<u>\$ 989</u>	<u>\$ 760</u>

D. For the three months and nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$1,211, \$0, \$1,211 and \$0, respectively.

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

	<u>Three months ended September 30, 2021</u>	<u>Three months ended September 30, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 13	\$ 1
Expense on short-term lease contracts	27	9
	<u>Nine months ended September 30, 2021</u>	<u>Nine months ended September 30, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 14	\$ 2
Expense on short-term lease contracts	546	26

F. For the three months and nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$111, \$23, \$763 and \$69, respectively.

(12) Intangible assets

	2021
	<u>Computer Software</u>
<u>At January 1</u>	
Cost	\$ 89,132
Accumulated amortisation and impairment	(80,624)
	<u>\$ 8,508</u>
At January 1	\$ 8,508
Additions-acquired separately	8,144
Amortisation charge	(7,817)
At September 30	<u>\$ 8,835</u>
<u>At September 30</u>	
Cost	\$ 97,260
Accumulated amortisation and impairment	(88,425)
	<u>\$ 8,835</u>

	2020			
	<u>Computer Software</u>	<u>Core Technology</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 88,057	\$ 47,000	\$ 8,056	\$ 143,113
Accumulated amortisation and impairment	(75,384)	(35,642)	-	(111,026)
	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$ 32,087</u>
At January 1	\$ 12,673	\$ 11,358	\$ 8,056	\$ 32,087
Additions-acquired separately	3,045	-	-	3,045
Prepayment for equipment transferred in	500	-	-	500
Amortisation charge	(7,135)	(3,525)	-	(10,660)
Net exchange differences	(2)	-	-	(2)
At September 30	<u>\$ 9,081</u>	<u>\$ 7,833</u>	<u>\$ 8,056</u>	<u>\$ 24,970</u>
<u>At September 30</u>				
Cost	\$ 91,594	\$ 47,000	\$ 8,056	\$ 146,650
Accumulated amortisation and impairment	(82,513)	(39,167)	-	(121,680)
	<u>\$ 9,081</u>	<u>\$ 7,833</u>	<u>\$ 8,056</u>	<u>\$ 24,970</u>

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

	Three months ended September 30, 2021	Three months ended September 30, 2020
Cost of sales	\$ 193	\$ 125
General and administrative expenses	2,725	1,182
Research and development expenses	-	1,670
	<u>\$ 2,918</u>	<u>\$ 2,977</u>
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cost of sales	\$ 678	\$ 402
General and administrative expenses	7,139	6,238
Research and development expenses	-	4,020
	<u>\$ 7,817</u>	<u>\$ 10,660</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
CMVT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,056</u>

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

(13) Short-term borrowings

Type of borrowings	September 30, 2021	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 1,573,398	0.42%~3.70%	-
Bank secured borrowings	1,122,375	0.85%~2.57%	Land, buildings and structures
Other short-term borrowings	16,838	4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,712,611</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 1,490,587	0.60%~4.80%	-
Bank secured borrowings	953,445	0.85%~2.57%	Land, buildings and structures
Other short-term borrowings	104,852	3.85%~4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,548,884</u>		
Type of borrowings	September 30, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 1,501,159	0.68%~4.80%	-
Bank secured borrowings	835,316	0.85%~2.57%	Land, buildings and structures
Other short-term borrowings	74,561	3.85%~4.11%	Machinery and factory equipment
	<u>\$ 2,411,036</u>		

- A. Information about interest expense recognised in profit or loss is provided in Note 6(25).
- 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:
- During the debt negotiation, the bank loans are secured by the Company's Chairman, Ho, Jau-Yang, as a joint guarantor.
 - The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.
 - The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater of creditor's rights.
 - The Company set up an escrow account and funds are remitted into the account for a centralised management and supervision. The escrow account is set up in the largest creditor bank.
- On July 26, 2019, the resolutions made during the debt negotiation meeting were approved in writing by all the creditor institutions.
- C. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on February 21, 2020. The resolutions of the meeting are as follows:

- (a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.
- (b) Taiwan Cooperative Bank and Changhua Bank will negotiate with the headquarters for increasing facilities (issuing letters of credit and hedge amount) to support the operation cashflow of the Company. Remaining banks will extend the maturity to March 31, 2022 or extend the drawing period of drawn facilities to March 31, 2022.

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

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

- (a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.
- (b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.
- (c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. On March 31, 2021, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that half of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2022).

E. In November 2019, March 2020, September 2020 and December 2020, the Group was financed by IBT Leasing Co., Ltd. and Robina Finance & Leasing Corp. through sales with buyback agreements. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group issued unexpired notes in the amounts of \$17,639, \$109,497 and \$77,952 for the aforementioned transaction, respectively.

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

(14) Other payables

	September 30, 2021	December 31, 2020	September 30, 2020
Payables for salaries or bonuses	\$ 149,258	\$ 164,415	\$ 120,435
Payables for annual leave	38,361	37,675	37,695
Accrued taxes payable	8,577	21,236	6,253
Payables for insurance premiums	14,437	17,192	12,906
Payables for purchase of equipment	32,162	21,136	23,339
Payables for interest	4,674	4,020	4,522
Others	180,011	146,175	147,683
	<u>\$ 427,480</u>	<u>\$ 411,849</u>	<u>\$ 352,833</u>

(15) Long-term borrowings

Type of borrowings	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2020 because of debt negotiation.	\$ 200,000	\$ 200,000	\$ 200,000
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	300,000	212,260	81,490
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.	180,000	134,680	74,110
Secured borrowings - sale with buy back agreements - Repayable from April 27, 2021 to April 27, 2023.	43,541		
Secured borrowings - sale with buy back agreements - Repayable from September 28, 2021 to September 28, 2024.	70,000	-	-
	<u>793,541</u>	<u>546,940</u>	<u>355,600</u>
Less: Current portion	(370,833)	(228,912)	(203,242)
	<u>\$ 422,708</u>	<u>\$ 318,028</u>	<u>\$ 152,358</u>
Interest rate range	<u>2.57% ~ 3.02%</u>	<u>2.57%</u>	<u>2.57%</u>

- A. Information on interest expense recognised in profit or loss is provided in Note 6(25).
- B. Due to the difficulty of repayment, the Group started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to Note 6(13) for details.
- C. In April 2021 and September 2021, the Group was financed by FCB Leasing Co., Ltd. and IBT Leasing Co. Ltd. and participating companies through sale with buy back agreements. As of September 30, 2021, the Group issued unexpired notes in the amount of \$122,274 for the aforementioned transaction.
- D. Information about the collateral for long-term borrowings is provided in Note 8.

(16) Pensions

- A. The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. NBCMMT makes monthly contributions based on certain percentages of the basic salaries of their employees.
- C. The pension costs under defined contribution pension plans of the Group for the three months and nine months ended September 30, 2021 and 2020, were \$13,876, \$10,074, \$41,826 and \$30,618, respectively.

(17) Share-based payment

- A. For the nine months the ended September 30, 2021, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Number of share		
		granted (in thousands)	Contract period	Vesting conditions
Restricted stocks to employees	2021.6.10	5,000	3 years	Note

Note: The selected employees who have been granted Restricted Stock Awards in compliance with the Measurement, continued to work on the following vested terms from the record date of grant (the record date of cash capital increase), and had met the performance criteria will receive new shares respectively on the basis of the following schedule and the proportion of shares subscribed.

Seniority	Performance Criteria			
	A+	A	B+	B and below
6 months after granting	10%	80% of 10%	50% of 10%	0
1 year after granting	20%	80% of 20%	50% of 20%	0
2 years after granting	30%	80% of 30%	50% of 30%	0
3 years after granting	40%	80% of 40%	50% of 40%	0

Restricted rights before employees meet the vesting conditions:

- (a) Before the vesting conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of RSA that they subscribe to in accordance with the Measurement.
- (b) During the vesting period, the RSA can participate in a distribution of share or cash dividends.

- (c) During the vesting period, if the company carry out a capital reduction, RSA will be cancelled proportionally. If the capital reduction is done by cash return, the returned cash should be kept under company's custody, and be paid to the employees when vesting condition is fulfilled; if the employee does not meet the vesting condition, all shares the employees subscribed in accordance with the Measurement shall be bought back by the Company based on the original subscription price and canceled accordingly.
- (d) The RSA shall be delivered to the trust immediately after issuance. Employees may not ask the trustee to return the RSA for any reasons or by any method prior to the fulfillment of vesting conditions.
- (e) Employees who subscribe to RSA pursuant to the present measures during the period of the trust issuance, the discretionary staff of the company and the stock trust institution shall discuss, sign, amend, extend, terminate, terminate, and transfer the trust custody contract (shares and cash), and other behaviors pursuant to this measurement.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2021
Employee restricted shares as at January 1	-
Issued for the period	5,000
Employee restricted shares as at September 30	5,000

C. The Group issued restricted shares for employees on June 10, 2021. The share price at grant date was NT\$11.8 per share.

D. Expenses incurred on share-bases payment transactions amounted to \$8,967 and \$11,015 for the three months and nine months ended September 30, 2021.

(18) Share capital

A. As of September 30, 2021, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares including 360,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company. The paid-in capital was \$6,707,285, 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)	
	2021	2020
At January 1	665,729	665,729
Employee restricted shares	5,000	-
At September 30	670,729	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 September 30, 2021, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

i. Voting rights

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

ii. Sale and withdrawal of the underlying common shares

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

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

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

C. On April 30, 2021, the Company's shareholders resolved to issue 20,000 thousand shares of Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The Chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

On May 10, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on June 3, 2021.

The Board of Directors during its meeting on June 10, 2021 adopted a resolution to issue 5,000 thousand shares of employee restricted ordinary shares in batches (see Note 6(17)) with the effective date set on June 28, 2021. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as others issued. The registration has been completed.

On September 25, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. The Company has reported to the regulatory authority in October 22, 2021.

(19) 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.

	2021					
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Changes in equity of associates and joint ventures accounted for using equity method	Employee restricted shares	Total
At January 1	\$ 803,494	\$ 6,776	\$ 128,672	\$ -	\$ -	\$ 938,942
Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	-	-	-	156,334	-	156,334
Employee restricted shares	-	-	-	-	3,903	3,903
At September 30	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 156,334</u>	<u>\$ 3,903</u>	<u>\$ 1,099,179</u>
	2020					
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total		
At January 1	\$ 803,494	\$ 6,776	\$ 133,756	\$ 944,026		
Changes in ownership interests in subsidiaries	-	-	(5,084)	(5,084)		
At September 30	\$ 803,494	\$ 6,776	\$ 86	\$ 938,942		

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the Company may elect to allocate surplus or compensate loss after half of every fiscal year. Surplus shall pay taxes, compensate accrued loss, 10% for surplus reserve in each half-fiscal year. The Company may choose not to reserve when the surplus reserve reaches the amount of the contributed capital. The leisure is kept for special surplus reserve pursuant to regulations. The Board of Directors may resolve to allocate accumulated surplus. The shareholders' meeting shall make a resolution when a dividend is proposed to be allocated through issuance of new shares. The Board of Directors shall resolve if dividends is to be allocated through cash, and then reported to the shareholders' meeting. Dividend that the Company allocates to shareholders must not be less than 20% of surplus that is allowed to be allocated. In addition, the cash dividend must not be lower than 10% of assignable dividend. Nevertheless, the Company may not choose to allocate dividend when the assignable dividends are less than 50% of contributed capital.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. Special reserve
- In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. On April 30, 2020, the shareholders resolved not to appropriate dividends and provisioned special reserves amounting to \$229,331.
- E. On April 30, 2021, the shareholders resolved not to appropriate dividends and reversed special reserves amounting to \$53,493.

(21) Operating revenue

- A. Disaggregation of revenue from contracts with customers

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

<u>Three months ended September 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,332,963	\$ 1,488,579	\$ 2,821,542
Inter-segment revenue	1,165,528	64,713	1,230,241
Elimination of internal transaction	(1,165,528)	(64,713)	(1,230,241)
Revenue from external customer	<u>\$ 1,332,963</u>	<u>\$ 1,488,579</u>	<u>\$ 2,821,542</u>

<u>Three months ended September 30, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,407,894	\$ 981,500	\$ 2,389,394
Inter-segment revenue	924,936	22,859	947,795
Elimination of internal transaction	(924,936)	(22,859)	(947,795)
Revenue from external customer	<u>\$ 1,407,894</u>	<u>\$ 981,500</u>	<u>\$ 2,389,394</u>
<u>Nine months ended September 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 4,217,011	\$ 4,098,518	\$ 8,315,529
Inter-segment revenue	3,427,573	173,086	3,600,659
Elimination of internal transaction	(3,427,573)	(173,086)	(3,600,659)
Revenue from external customer	<u>\$ 4,217,011</u>	<u>\$ 4,098,518</u>	<u>\$ 8,315,529</u>
<u>Nine months ended September 30, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 4,288,655	\$ 2,406,876	\$ 6,695,531
Inter-segment revenue	2,029,573	103,961	2,133,534
Elimination of internal transaction	(2,029,573)	(103,961)	(2,133,534)
Revenue from external customer	<u>\$ 4,288,655</u>	<u>\$ 2,406,876</u>	<u>\$ 6,695,531</u>

B. Contract liabilities

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>January 1, 2020</u>
Contract liabilities –				
sale of goods	<u>\$ 30,791</u>	<u>\$ 51,627</u>	<u>\$ 57,331</u>	<u>\$ 22,169</u>

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

	<u>Three months ended September 30, 2021</u>	<u>Three months ended September 30, 2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 55</u>	<u>\$ -</u>
	<u>Nine months ended September 30, 2021</u>	<u>Nine months ended September 30, 2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 51,460</u>	<u>\$ 22,117</u>

(22) Interest income

	Three months ended September 30, 2021	Three months ended September 30, 2020
Interest income from bank deposits	\$ 1,355	\$ 1,387
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest income from bank deposits	\$ 5,376	\$ 3,208

(23) Other income

	Three months ended September 30, 2021	Three months ended September 30, 2020
Rental income	\$ 1,018	\$ 317
Royalty income	12,726	13,550
Dividend income	-	712
Others	4,546	1,753
	<u>\$ 18,290</u>	<u>\$ 16,332</u>
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Rental income	\$ 3,016	\$ 952
Royalty income	39,002	41,029
Dividend income	-	712
Others	12,719	20,051
	<u>\$ 54,737</u>	<u>\$ 62,744</u>

(24) Other gains and losses

	Three months ended September 30, 2021	Three months ended September 30, 2020
Gains on disposals of property, plant and equipment	\$ -	\$ 1,994
Foreign exchange gains (losses)	5,674 (	8,211)
Net gains (losses) on financial assets or liabilities at fair value through profit or loss	1,898 (	2,077)
Others	(1,919)	1,939
	<u>\$ 5,653</u>	<u>(\$ 6,355)</u>

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Gains on disposals of property, plant and equipment	\$ -	\$ 1,947
Foreign exchange gains (losses)	131,844 (	15,315)
Net losses on financial assets or liabilities at fair value through profit or loss	(23,279) (	20,210)
Others	(2,388) (	567)
	<u>\$ 106,177</u>	<u>(\$ 34,145)</u>

(25) Finance costs

	Three months ended September 30, 2021	Three months ended September 30, 2020
Interest expense - bank borrowings	\$ 16,218	\$ 16,771
Interest expense - lease liabilities	13	1
	<u>\$ 16,231</u>	<u>\$ 16,772</u>
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest expense - bank borrowings	\$ 49,226	\$ 53,258
Interest expense - lease liabilities	14	2
	<u>\$ 49,240</u>	<u>\$ 53,260</u>

(26) Expenses by nature

	Three months ended September 30, 2021	Three months ended September 30, 2020
Employee benefit expense	\$ 354,236	\$ 257,949
Depreciation charges on property, plant and equipment	95,669	108,158
Depreciation charges on right-of-use assets	440	218
Amortisation charges on intangible assets	2,918	2,977
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Employee benefit expense	\$ 1,007,898	\$ 720,820
Depreciation charges on property, plant and equipment	282,748	327,460
Depreciation charges on right-of-use assets	989	760
Amortisation charges on intangible assets	7,817	10,660

(27) Employee benefit expense

	Three months ended September 30, 2021	Three months ended September 30, 2020
Pension costs	\$ 13,876	\$ 10,074
Short-term employee benefits	340,360	247,875
	<u>\$ 354,236</u>	<u>\$ 257,949</u>
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Pension costs	\$ 41,826	\$ 30,618
Short-term employee benefits	966,072	690,202
	<u>\$ 1,007,898</u>	<u>\$ 720,820</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. For the three months and nine months ended September 30, 2021, employee's compensation were both accrued at \$10,000, and director's remuneration were both accrued at \$0. The Company incurred losses for the nine months ended September 30, 2020; thus, neither employees' compensation nor remuneration of directors were estimated.

The Company incurred loss for the year ended December 31, 2020, thus neither 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.

(28) Income tax

A. Income tax expense

	Three months ended September 30, 2021	Three months ended September 30, 2020
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	-	181
Total current tax	<u>-</u>	<u>181</u>
Deferred tax:		
Origination and reversal of temporary differences	21,391	-
Total deferred tax	<u>21,391</u>	<u>-</u>
Income tax expense	<u>\$ 21,391</u>	<u>\$ 181</u>

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax (overestimation) underestimation	(8)	894
Total current tax	(8)	894
Deferred tax:		
Origination and reversal of temporary differences	48,245	-
Total deferred tax	48,245	-
Income tax expense	\$ 48,237	\$ 894

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(29) Earnings (loss) per share

	Three months ended September 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 245,383	665,729	\$ 0.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 245,383	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	1,663	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 245,383	667,392	\$ 0.37

Three months ended September 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,360	665,729	\$ 0.01
Nine months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 721,046	665,729	\$ 1.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 721,046	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	724	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 721,046	666,453	\$ 1.08
Nine months ended September 30, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 209,865)	665,729	(\$ 0.32)

(30) Transactions with non-controlling interest

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

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

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

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

B. Disposal of subsidiaries

- (a) In October 2020, CMVT increased its capital through cash infusion. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 97.42% to 23.29%. Additionally, because CMVT reelected its directors, the Group lost its control over CMVT.
- (b) Details of the carrying amount of those assets and liabilities that CMVT lost its control are as follows:

	October 31, 2020
Cash and cash equivalents	\$ 10,468
Accounts receivable	11,007
Other receivables	6,613
Inventories	46,255
Prepayments	8,666
Other current assets	59
Property, plant and equipment	49,290
Right-of-use assets	6,393
Intangible assets	20,334
Other non-current assets	1,958
Contract liabilities-current	(2,907)
Accounts payable	(51,951)
Other payables	(40,790)
Current lease liabilities	(2,839)
Other current liabilities	(333)
Non-current lease liabilities	(2,881)
The carrying amount of net assets of subsidiaries at the date when control is lost	\$ 59,342

(c) Gains on disposal of subsidiaries

	Year ended December 31, 2020
Fair value of the remaining investments	\$ 68,884
Less: Carrying amount of the investment at the date when control is lost	(57,808)
Gains on disposal of investments	<u>\$ 11,076</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Purchase of property, plant and equipment	\$ 197,774	\$ 51,683
Add: Opening balance of payable on equipment	21,136	9,925
Less: Ending balance of payable on equipment	(32,162)	(23,339)
Cash paid	<u>\$ 186,748</u>	<u>\$ 38,269</u>

B. Operating and investing activities with no cash flow effects

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
(a) Amount written off due to uncollectible account	<u>\$ -</u>	<u>\$ 1,586</u>
(b) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 76,517</u>	<u>\$ 5,427</u>
(c) Prepayments for equipment transferred to intangible assets	<u>\$ -</u>	<u>\$ 500</u>
(d) Equipment transferred to prepayments	<u>\$ 683</u>	<u>\$ -</u>
(e) Investments accounted for using equity method transferred to non-current assets classified as held for sale, net	<u>\$ 4,477,711</u>	<u>\$ -</u>
(d) Other payables transferred to liabilities related to non-current assets classified as held for sale	<u>\$ 264</u>	<u>\$ -</u>

(32) Changes in liabilities from financing activities

	At January 1, 2021	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At September 30, 2021
Short-term borrowings	\$ 2,548,884	\$ 208,924	\$ -	(\$ 45,197)	\$ 2,712,611
Lease liabilities	145	(203)	1,211	-	1,153
Long-term borrowings	546,940	246,601	-	-	793,541
Guarantee deposits received	40	-	-	-	40
Liabilities from financing activities-gross	<u>\$ 3,096,009</u>	<u>\$ 455,322</u>	<u>\$ 1,211</u>	<u>(\$ 45,197)</u>	<u>\$ 3,507,345</u>

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Innolux Corporation ("Innolux")	Legal person director of the Company (Note 1)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliate (Note 2)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliate (Note 2)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliate (Note 2)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliate (Note 2)
Ningbo Innolux Display Ltd. ("Ningbo Innolux Display")	Affiliate (Note 2)
HMO	Associate
CMVT	Associate (Note 3)

Note 1: It had served as director of the Company from April 26, 2019 until May 6, 2020.

Note 2: It is the subsidiary owned by Innolux.

Note 3: In October 2020, CMVT increased its capital through cash infusion. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 97.42% to 23.29%. Additionally, because CMVT reelected its directors, the Group lost its control over CMVT, but still has significant influence, thus CMVT is considered an associate of the Group.

(2) Significant related party transactions

A. Operating revenue

	<u>Three months ended</u> <u>September 30, 2021</u>	<u>Three months ended</u> <u>September 30, 2020</u>
Sales of goods:		
Associates	<u>\$ 33,218</u>	<u>\$ -</u>
	<u>Nine months ended</u> <u>September 30, 2021</u>	<u>Nine months ended</u> <u>September 30, 2020</u>
Sales of goods:		
Associates	\$ 95,149	\$ -
Innolux	-	907,436
Ningbo Innolux	-	482,633
Foshan Innolux	-	449,232
Affiliates	-	129,704
	<u>\$ 95,149</u>	<u>\$ 1,969,005</u>

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

B. Purchases

	<u>Three months ended</u> <u>September 30, 2021</u>	<u>Three months ended</u> <u>September 30, 2020</u>
Purchases of goods:		
Associates	<u>\$ 807</u>	<u>\$ -</u>
	<u>Nine months ended</u> <u>September 30, 2021</u>	<u>Nine months ended</u> <u>September 30, 2020</u>
Purchases of goods:		
Associates	<u>\$ 1,725</u>	<u>\$ -</u>

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

C. Receivables from related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable:			
Associates	<u>\$ 57,905</u>	<u>\$ 44,720</u>	<u>\$ 452</u>
Other receivables (excluding loans):			
HMO	\$ -	\$ 51,820	\$ 52,950
Associates	<u>2,339</u>	<u>2,221</u>	<u>-</u>
	<u>\$ 2,339</u>	<u>\$ 54,041</u>	<u>\$ 52,950</u>

D. Contract liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
HMO	<u>\$ 25,451</u>	<u>\$ 13,774</u>	<u>\$ 27,101</u>

E. Payables to related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts payable:			
Associates	<u>\$ 805</u>	<u>\$ 2,430</u>	<u>\$ 1,201</u>

F. Other revenue

	<u>Three months ended September 30, 2021</u>	<u>Three months ended September 30, 2020</u>
HMO	\$ 12,726	\$ 13,550
Associates	<u>7,946</u>	<u>-</u>
	<u>\$ 20,672</u>	<u>\$ 13,550</u>
	<u>Nine months ended September 30, 2021</u>	<u>Nine months ended September 30, 2020</u>
HMO	\$ 39,002	\$ 41,029
Associates	<u>13,241</u>	<u>-</u>
	<u>\$ 52,243</u>	<u>\$ 41,029</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Outstanding balance			
HMO	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,151</u>

On May 7, 2020 and November 11, 2019, the Board of Directors resolved to reclassify the accounts receivable of HMO that exceeded a certain period from loans to others to other receivables. The loan's due date was December 31, 2020.

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

	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	Outstanding endorsements / guarantee amount	Actual amount drawn down	Outstanding endorsements / guarantee amount	Actual amount drawn down
HMO	<u>\$ 2,805,569</u>	<u>\$ 1,283,664</u>	<u>\$ 3,502,344</u>	<u>\$ 2,364,136</u>
	<u>September 30, 2020</u>			
	Outstanding endorsements / guarantee amount	Actual amount drawn down		
HMO	<u>\$ 3,415,926</u>	<u>\$ 2,894,086</u>		

(3) Key management compensation

	<u>Three months ended September 30, 2021</u>	<u>Three months ended September 30, 2020</u>
Salaries and other short-term employee benefits	\$ 9,738	\$ 6,491
Post-employment benefits	135	78
	<u>\$ 9,873</u>	<u>\$ 6,569</u>
	<u>Nine months ended September 30, 2021</u>	<u>Nine months ended September 30, 2020</u>
Salaries and other short-term employee benefits	\$ 35,398	\$ 20,907
Post-employment benefits	420	294
	<u>\$ 35,818</u>	<u>\$ 21,201</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2021	December 31, 2020	September 30, 2020	
Demand deposit (Note)	\$ 530,275	\$ 208,630	\$ 189,245	An escrow account for debt negotiation procedures
Pledged deposits (Note)	14,355	6,000	6,000	Provided as collateral for the letters of credit for purchases of raw materials
Property, plant and equipment - land	1,428,543	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,661,534	1,758,913	1,791,372	Long-term and short-term loan
Property, plant and equipment - machinery and equipment	158,054	116,616	132,116	Long-term and short-term loan
Property, plant and equipment - office equipment	3,109	4,619	5,122	Short-term loan
Property, plant and equipment - factory equipment	64,850	80,808	79,659	Long-term and short-term loan
Property, plant and equipment - miscellaneous equipment	1,304	1,790	-	Long-term and short-term loan
	<u>\$ 3,862,024</u>	<u>\$ 3,605,919</u>	<u>\$ 3,632,057</u>	

Note: It is shown as "current financial assets at amortised cost".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020, were as follows:

(1) As of September 30, 2021, December 31, 2020 and September 30, 2020, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousand)		
	September 30, 2021	December 31, 2020	September 30, 2020
JPY	\$ 1,505,351	\$ 2,276,309	\$ 2,095,475
USD	186	539	192

(2) As of September 30, 2021, December 31, 2020 and September 30, 2020, the amounts of guarantees provided by financial institutions for the purpose of importing goods and facilities of derivative financial instruments were \$104,760, \$97,917 and \$74,304, respectively.

(3) As of September 30, 2021, December 31, 2020 and September 30, 2020, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$140,892, \$71,464 and \$47,542, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>1</u>	\$ <u>1,062</u>	\$ <u>-</u>
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	\$ <u>133,096</u>	\$ <u>140,849</u>	\$ <u>162,267</u>
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents (Note)	\$ 582,216	\$ 412,618	\$ 465,618
Financial assets at amortised cost	544,630	304,592	195,245
Accounts receivable	2,784,760	2,656,703	2,142,888
Other receivables	71,875	119,274	305,485
Refundable deposits	<u>8,790</u>	<u>8,790</u>	<u>8,790</u>
	<u>\$ 3,992,271</u>	<u>\$ 3,501,977</u>	<u>\$ 3,118,026</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ <u>7,064</u>	\$ <u>-</u>	\$ <u>138</u>
Financial liabilities at amortised cost			
Short-term borrowings	\$ 2,712,611	\$ 2,548,884	\$ 2,411,036
Accounts payable	1,049,963	1,347,153	1,240,288
Other payables (Note)	427,744	411,849	352,833
Long-term borrowings (including current portion)	793,541	546,940	355,600
Guarantee deposits received	<u>40</u>	<u>40</u>	<u>40</u>
	<u>\$ 4,983,899</u>	<u>\$ 4,854,866</u>	<u>\$ 4,359,797</u>
Lease liabilities	<u>\$ 1,153</u>	<u>\$ 145</u>	<u>\$ 159</u>

Note : Including non-current assets classified as held for sale, net and liabilities related to non-current assets classified as held for sale.

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements.

C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements, except for the items explained below:

(a) Market risk

Foreign exchange risk

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

September 30, 2021			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 85,252	27.85	\$ 2,374,268
JPY:NTD	741,751	0.249	184,696
USD:RMB	43,512	6.469	1,211,768
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,326	27.85	176,179
JPY:NTD	7,320,579	0.249	1,822,824
RMB:NTD	394	4.305	1,696
USD:RMB	60,506	6.469	1,685,034

December 31, 2020			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,573	28.48	\$ 2,266,239
JPY:NTD	12,186	0.276	3,363
RMB:NTD	10,273	4.377	44,965
USD:RMB	34,879	6.507	993,354
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,130	28.48	146,102
JPY:NTD	6,238,870	0.276	1,721,928
RMB:NTD	394	4.377	1,725
USD:RMB	41,976	6.507	1,195,476
September 30, 2020			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 98,306	29.10	\$ 2,860,705
JPY:NTD	241,030	0.276	66,524
RMB:NTD	46,402	4.269	198,090
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	45,552	29.10	1,325,563
JPY:NTD	6,450,900	0.276	1,780,448
RMB:NTD	1,186	4.269	5,063
EUR:NTD	113	34.15	3,859

- ii. Total exchange gains (losses), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020, amounted to \$5,674, (\$8,211), \$131,844 and (\$15,315), respectively.

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

Nine months ended September 30, 2021				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	0.5%	\$ 11,871		-
JPY:NTD	0.5%	923		-
USD:RMB	0.5%	6,059		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	0.5%	881		-
JPY:NTD	0.5%	9,114		-
RMB:NTD	0.5%	8		-
USD:RMB	0.5%	8,425		-
Nine months ended September 30, 2020				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	0.5%	\$ 14,304		-
JPY:NTD	0.5%	332		-
RMB:NTD	0.5%	990		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	0.5%	6,628		-
JPY:NTD	0.5%	8,902		-
RMB:NTD	0.5%	25		-
EUR:NTD	0.5%	19		-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the nine months ended September 30, 2021 and 2020, would have increased/decreased by \$1,331 and \$1,623, respectively.

Interest rate risk

The Group's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the nine months ended September 30, 2021 and 2020, would have increased/decreased by \$25,319 and \$20,191, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group's concentration of credit risk, was related to the Group's five largest customers. The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Group's major customers is obtained from other publicly available financial information or the Group's own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.

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

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 361 days
September 30, 2021	0.00%	0.00%	0.00%	0.00%~0.02%	0.14%~1.65%	4.07%~29.71%	100%
December 31, 2020	0.00%	0.00%	0.00%	0.00%~0.02%	0.14%~1.65%	4.07%~29.71%	100%
September 30, 2020	0.02%	0.02%	0.02%~0.04%	0.06%~0.11%	0.02%~0.96%	4.35%~25.04%	100%

As of September 30, 2021, Decembers 31, 2020 and September 30, 2020, the total amount of the Group's accounts receivable which past due over 31 days were 0%, 4.67% and 1.53%, respectively.

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

	2021	2020
January 1	\$ 6,184	\$ 7,668
Reversal of impairment	(6,128)	-
Amount written off due to uncollectible accounts	-	(1,586)
Effects on exchange rate	(56)	(51)
September 30	<u>\$ -</u>	<u>\$ 6,031</u>

- viii. For provisioned loss for the three months and nine months ended September 30, 2021 and 2020, the reversal of impairment arising from customers' contract amounts to (\$22), \$0, \$6,128 and \$0, respectively.

(c) Liquidity risk

- i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Group.
- ii. Group treasury invests surplus cash in interest bearing current accounts, check deposit, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group held money market positions of \$581,691, \$502,077 and \$465,188, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group relies on bank loans as a significant source of liquidity, the Group had available unutilized short-term bank loan facilities as below:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank overdraft facility			
Amount unused	\$ 1,542,306	\$ 1,556,415	\$ 1,528,430
Secured bank overdraft facility			
Amount unused	<u>180,389</u>	<u>237,930</u>	<u>358,767</u>
	<u>\$ 1,722,695</u>	<u>\$ 1,794,345</u>	<u>\$ 1,887,197</u>

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

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

September 30, 2021

	<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	\$ 2,728,743	\$ -	\$ -
Accounts payable	1,049,963	-	-
Other payables (Note)	427,744	-	-
Long-term borrowings (including current portion)	388,065	442,010	-
Lease liabilities	477	713	-

Note: Including liabilities related to non-current assets classified as held for sale.

Derivative financial liabilities

Forward foreign exchange contracts	7,064	-	-
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December 31, 2020

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,588,967	\$ -	\$ -
Accounts payable	1,347,153	-	-
Other payables	411,849	-	-
Long-term borrowings (including current portion)	234,561	333,353	-
Lease liabilities	57	91	-

September 30, 2020

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,430,614	\$ -	\$ -
Accounts payable	1,240,288	-	-
Other payables	352,833	-	-
Long-term borrowings (including current portion)	206,345	161,734	-
Lease liabilities	57	105	-
<u>Derivative financial liabilities</u>			
Forward exchange contract	138	-	-

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

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

(a) Fair value hierarchy

September 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1	\$ -	\$ 1
Financial assets at FVOCI				
Equity securities	-	-	133,096	133,096
	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 133,096</u>	<u>\$ 133,097</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 7,064	\$ -	\$ 7,064

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,062	\$ -	\$ 1,062
Financial assets at FVOCI				
Equity securities	-	-	140,849	140,849
	<u>\$ -</u>	<u>\$ 1,062</u>	<u>\$ 140,849</u>	<u>\$ 141,911</u>

September 30, 2020

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

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

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

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

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

D. For the nine months ended September 30, 2021 and 2020, there was no transfer between level 1 and level 2.

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

	<u>Nine months ended September 30, 2021</u>	
	<u>Equity instrument</u>	<u>Debt instrument</u>
At January 1	\$ 140,849	\$ -
Losses recognised in other comprehensive income	(7,753)	-
At September 30	<u>\$ 133,096</u>	<u>\$ -</u>

	Nine months ended September 30, 2020	
	Equity instrument	Debt instrument
At January 1	\$ 169,740	\$ -
Losses recognised in other comprehensive income	(7,473)	-
At September 30	<u>\$ 162,267</u>	<u>\$ -</u>

- F. For the nine months ended September 30, 2021 and 2020, there was no transfer into or out from Level 3.
- G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 119,358	Market comparable companies	Multiple price-book ratio	0.74 ~ 3.25	The higher the price-book ratio, the higher the fair value
	13,738	Market comparable companies	Multiple price-book ratio	0.55 ~ 1.14	The higher the price-book ratio, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 127,111	Market comparable companies	Multiple price-book ratio	0.59 ~ 1.86	The higher the price-book ratio, the higher the fair value
	13,738	Market comparable companies	Multiple price-book ratio	0.55 ~ 1.14	The higher the price-book ratio, the higher the fair value

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 140,170	Market comparable companies	Multiple price-book ratio	0.45~1.90	The higher the price-book ratio, the higher the fair value
	22,097	Market comparable companies	Multiple price-book ratio	0.42~1.37	The higher the price-book ratio, the higher the fair value

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

			September 30, 2021 Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets	Input	Change		
Equity instruments	Multiple price-book ratio	±1%	\$ 977	(\$ 977)
			December 31, 2020 Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets	Input	Change		
Equity instruments	Multiple price-book ratio	±1%	\$ 1,215	(\$ 1,215)
			September 30, 2020 Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets	Input	Change		
Equity instruments	Multiple price-book ratio	±1%	\$ 1,619	(\$ 1,621)

(4) Other

The major product of the Group is polarizing film, which is the key raw material of the panel industry. There has been no curtailment in the scale of operations or significant reduction in terminal consumer demand due to the Covid-19 pandemic. The Group has also complied with the pandemic prevention guidelines of the Taiwan Centers for Disease Control, including measures such as personnel access control and rotating work schedules in the office and work from home according to production areas and shifts. The Covid-19 pandemic had no significant impact to the Group's operating condition and financial performance based on the Group's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Segment revenue and results

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

Three months ended September 30, 2021				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 1,332,963	\$ 1,488,579	\$ -	\$ 2,821,542
Inter-segment revenue	1,165,528	64,713	(1,230,241)	-
Total segment revenue	<u>\$ 2,498,491</u>	<u>\$ 1,553,292</u>	<u>(\$ 1,230,241)</u>	<u>\$ 2,821,542</u>
Segment income (loss)	<u>(\$ 34,627)</u>	<u>\$ 121,133</u>	<u>\$ -</u>	<u>\$ 86,506</u>
Three months ended September 30, 2020				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 1,407,894	\$ 981,500	\$ -	\$ 2,389,394
Inter-segment revenue	924,936	22,859	(947,795)	-
Total segment revenue	<u>\$ 2,332,830</u>	<u>\$ 1,004,359</u>	<u>(\$ 947,795)</u>	<u>\$ 2,389,394</u>
Segment income (loss)	<u>(\$ 92,863)</u>	<u>\$ 49,571</u>	<u>\$ 1,159</u>	<u>(\$ 42,133)</u>
Nine months ended September 30, 2021				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 4,217,011	\$ 4,098,518	\$ -	\$ 8,315,529
Inter-segment revenue	3,427,573	173,086	(3,600,659)	-
Total segment revenue	<u>\$ 7,644,584</u>	<u>\$ 4,271,604</u>	<u>(\$ 3,600,659)</u>	<u>\$ 8,315,529</u>
Segment income (loss)	<u>(\$ 147,906)</u>	<u>\$ 304,470</u>	<u>\$ -</u>	<u>\$ 156,564</u>

Nine months ended September 30, 2020

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

Note: Refer to the internal revenue write-offs.

(3) Reconciliation for segment income (loss)

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

Cheng Mei Materials Technology Corporation And Subsidiaries

Loans to others

Nine months ended September 30, 2021

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2021	Balance at September 30, 2021	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
1	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 27,108	\$ 26,458	\$ 26,458	2.97%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,041,352	\$ 2,082,704	Note 2

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 Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of Group's parent company.

The limit on loans granted to a single party is 10% of net assets of the Group's parent company.

Cheng Mei Materials Technology Corporation And Subsidiaries

Provision of endorsements and guarantees to others

Nine months ended September 30, 2021

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Maximum outstanding endorsement/ guarantee amount as of September 30, 2021	Outstanding amount at September 30, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
			Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party										
0	Cheng Mei Materials Technology Corporation	Hengmei Optoelectronic Co., Ltd.	6	\$ 5,206,760	\$ 2,808,175	\$ 2,805,569	\$ 1,283,664	\$ -	26.94%	\$ 10,413,519	N	N	Y	Note 3,4,5,6

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

(1) The Company is '0'

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

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

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

Note 6: Hengmei Optoelectronic Co., Ltd has convened the extraordinary general meeting on Oct, 29, 2021 which resolved to replace the original loan by a new Syndicated loan of the amount of CNY 770 million with new bank, in order to relieve the original guarantee liability.

Cheng Mei Materials Technology Corporation And Subsidiaries

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

September 30, 2021

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 119,358	6.41%	\$ 119,358	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	5,821	Note	5,821	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	7,917	Note	7,917	-

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

Cheng Mei Materials Technology Corporation And Subsidiaries

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

Nine months ended September 30, 2021

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 3,527,544)	(46%)	-	-	-	\$ 921,271	42%	Note
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Purchases	157,157	4%				48,999	3%	Note

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 from January 1, 2021 to September 30, 2021, was \$99,971.

Cheng Mei Materials Technology Corporation And Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
September 30, 2021

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2021	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 \$ 921,271	7.04	\$ -	-	\$ 146,058	\$ -

Cheng Mei Materials Technology Corporation And Subsidiaries
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 2021

Table 6

Expressed in thousands of NTD

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

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 3,527,544	-	42%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	921,271	-	6%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	157,157	-	2%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	48,999	-	-
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Other receivables	26,458	-	-

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investees (not including investees in Mainland China)

Nine months ended September 30, 2021

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss) of the investee for the nine months ended September 30, 2021	Investment income(loss) recognised by the Company for the nine months ended September 30, 2021	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,305,845	\$ 301,212	\$ 301,212	
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	289,000	6,638	22.96%	53,075 (	57,017) (	13,040)	
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	4,477,452	508,882	508,882	
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	151,870	15,187	100%	18,551 (	296) (	296)	
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	211,000	21,100	100%	48,289	93	93	
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	781 (	57,017)	Note	
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	26,986	627	Note	

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

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investments in Mainland China

Nine months ended September 30, 2021

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from		Accumulated	Net income of investee as of September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2021	Book value of investments in Mainland China as of September 30, 2021	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2021	Taiwan to Mainland China /Amount remitted back to Taiwan for the nine months ended September 30,2021	amount of remittance from Taiwan to Mainland China as of September 30, 2021	amount of investment income remitted back to Taiwan as of September 30, 2021						
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 586,026	2	\$ 370,405	\$ -	\$ -	\$ 370,405	\$ 301,212	100.00	\$ 301,212	\$ 1,306,078	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	10,870,797	2	4,080,025	-	-	4,080,025	1,792,141	28.10	508,882	4,477,711	-	Note 3
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	27,850	2	27,850	-	-	27,850	-	100.00	-	-	-	Note 4
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 6)										
Cheng Mei Materials Technology Corporation	\$4,478,280	\$4,478,280	\$6,248,111										

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

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

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

(3) Others

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

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

Note 4: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 5: 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 28.067 to US\$1 from January 1, 2021 to September 30, 2021, otherwise are re-translated at the exchange rates of NTD 27.85 to US\$1 prevailing at the September 30, 2021.

Note 6: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation And Subsidiaries

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

Nine months ended September 30, 2021

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at September 30, 2021	%	Balance at September 30, 2021	Purpose	Maximum balance during the nine months ended September 30, 2021	Balance at September 30, 2021	Interest rate	Interest during the nine months ended September 30, 2021	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 3,527,544	46%	\$ -	-	\$ 921,271	42%	\$ -	-	\$ -	\$ -	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(157,157)	4%	-	-	(48,999)	3%	-	-	-	-	-	-	-

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 from January 1, 2021 to September 30, 2021, was \$99,971.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

September 30, 2021

Table 10

Name of major shareholders	Shares		Express in shares
	Name of shares held	Ownership (%)	
Innolux Corporation		57,211,305	8.52%

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

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