

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION (FORMERLY CHI MEI
MATERIALS TECHNOLOGY
CORPORATION) AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2021 AND 2020**

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND
SUBSIDIARIES)
JUNE 30, 2021 AND 2020 CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
TABLE OF CONTENTS

Contents	Page
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 ~ 66
(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

Contents	Page
(5) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY	16
(6) DETAILS OF SIGNIFICANT ACCOUNTS	16 ~ 46
(7) RELATED PARTY TRANSACTIONS	47 ~ 50
(8) PLEDGED ASSETS	50
(9) SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS	51
(10) SIGNIFICANT DISASTER LOSS	51
(11) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	51
(12) OTHERS	51 ~ 64
(13) SUPPLEMENTARY DISCLOSURES	64 ~ 65
(14) SEGMENT INFORMATION	65 ~ 66

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(8), the financial statements of certain insignificant subsidiaries that are consolidated into this consolidated financial report and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method) of NT\$4,431,466 thousand and NT\$3,795,589 thousand, constituting 29.21% and 27.76% of the consolidated total assets, and total liabilities of NT\$917 thousand and NT\$18,067 thousand, constituting 0.02% and 0.42% of the consolidated total

liabilities as at June 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\$175,554 thousand, NT\$37,382 thousand, NT\$323,859 thousand, and (NT\$954) thousand, constituting 97.84%, (44.64%), 83.01%, and 0.28% of the consolidated total comprehensive income for the three months and six months then ended June 30, 2021 and 2020, 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 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 June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six 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

August 5, 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 auditor’s review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020

(Expressed in thousands of New Taiwan dollars)

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

Assets		Notes	June 30, 2021		December 31, 2020		June 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 591,989	4	\$ 412,618	3	\$ 446,146	3
1110	Current financial assets at fair value through profit or loss	6(2)	674	-	1,062	-	1,315	-
1136	Current financial assets at amortised cost	6(4) and 8	253,152	2	304,592	2	201,855	1
1170	Accounts receivable, net	6(5)	2,698,215	18	2,611,983	18	2,568,304	19
1180	Accounts receivable, net - related parties	6(5) and 7	57,949	-	44,720	-	460	-
1200	Other receivables		60,241	-	65,233	1	59,086	-
1210	Other receivables - related parties	7	54,807	-	54,041	-	491,110	4
1220	Current tax assets		547	-	732	-	376	-
130X	Inventories	6(6)	2,496,427	17	2,505,093	17	1,574,581	12
1410	Prepayments	6(7)	200,626	1	239,697	2	170,049	1
1479	Other current assets		8,179	-	9,596	-	14,743	-
11XX	Total current assets		6,422,806	42	6,249,367	43	5,528,025	40
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	138,665	1	140,849	1	162,267	1
1550	Investments accounted for using equity method	6(8)	4,364,467	29	3,948,618	27	3,570,662	26
1600	Property, plant and equipment	6(9) and 8	3,963,111	26	4,000,705	27	4,162,629	31
1755	Right-of-use assets	6(10)	29,763	-	30,782	-	29,653	-
1780	Intangible assets	6(11)	11,753	-	8,508	-	27,826	-
1840	Deferred tax assets		176,318	1	89,720	1	76,381	1
1915	Prepayments for equipment		54,864	1	94,335	1	108,898	1
1990	Other non-current assets		8,790	-	8,791	-	8,978	-
15XX	Total non-current assets		8,747,731	58	8,322,308	57	8,147,294	60
1XXX	Total assets		\$ 15,170,537	100	\$ 14,571,675	100	\$ 13,675,319	100

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021, DECEMBER 31, 2020 AND JUNE 30, 2020
(Expressed in thousands of New Taiwan dollars)

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

	Liabilities and Equity	Notes	June 30, 2021		December 31, 2020		June 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12) and 8	\$ 2,633,567	17	\$ 2,548,884	18	\$ 3,194,809	23
2120	Current financial liabilities at fair value through profit or loss	6(2)	3,649	-	-	-	-	-
2130	Contract liabilities	6(20) and 7	56,947	-	51,627	-	43,579	-
2170	Accounts payable		1,017,827	7	1,344,723	9	516,031	4
2180	Accounts payable - related parties	7	352	-	2,430	-	1,225	-
2200	Other payables	6(13)	397,272	3	411,849	3	358,071	3
2280	Current lease liabilities		56	-	55	-	55	-
2320	Current portion of long-term bank loans	6(14) and 8	327,500	2	228,912	2	200,000	2
2399	Other current liabilities		10,729	-	7,408	-	9,436	-
21XX	Total current liabilities		<u>4,447,899</u>	<u>29</u>	<u>4,595,888</u>	<u>32</u>	<u>4,323,206</u>	<u>32</u>
	Non-current liabilities							
2540	Long-term borrowings	6(14) and 8	402,917	3	318,028	2	-	-
2570	Deferred tax liabilities		149,465	1	36,013	-	22,674	-
2580	Non-current lease liabilities		62	-	90	-	117	-
2645	Guarantee deposits		40	-	40	-	40	-
25XX	Total non-current liabilities		<u>552,484</u>	<u>4</u>	<u>354,171</u>	<u>2</u>	<u>22,831</u>	<u>-</u>
2XXX	Total liabilities		<u>5,000,383</u>	<u>33</u>	<u>4,950,059</u>	<u>34</u>	<u>4,346,037</u>	<u>32</u>
	Equity attributable to the owners of the company							
	Share capital							
3110	Common shares	6(16)(17)	6,707,285	44	6,657,285	46	6,657,285	49
	Capital surplus							
3200	Capital surplus	6(18)	1,099,179	7	938,942	6	944,026	7
	Retained earnings	6(19)						
3310	Legal reserve		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		1,415,928	9	886,772	6	759,102	5
	Other equity interest							
3400	Other equity interest		(760,730)	(4)	(623,368)	(4)	(803,885)	(6)
31XX	Total equity attributable to owners of the Company		<u>10,170,154</u>	<u>67</u>	<u>9,621,616</u>	<u>66</u>	<u>9,318,513</u>	<u>68</u>
36XX	Non-controlling interest		-	-	-	-	10,769	-
3XXX	Total equity		<u>10,170,154</u>	<u>67</u>	<u>9,621,616</u>	<u>66</u>	<u>9,329,282</u>	<u>68</u>
	Significant contingent liabilities and unrecognized contract commitments	7 and 9						
3X2X	Total liabilities and equity		<u>\$ 15,170,537</u>	<u>100</u>	<u>\$ 14,571,675</u>	<u>100</u>	<u>\$ 13,675,319</u>	<u>100</u>

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

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

Items	Notes	Three months ended June 30				Six months ended June 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Net sales	6(20) and 7	\$ 2,747,626	100	\$ 2,356,922	100	\$ 5,493,987	100	\$ 4,306,137	100
5000 Cost of sales	6(6)(11)(25)(26) and 7	(2,526,031)	(92)	(2,269,330)	(96)	(5,130,153)	(94)	(4,278,918)	(99)
5900 Gross loss		<u>221,595</u>	<u>8</u>	<u>87,592</u>	<u>4</u>	<u>363,834</u>	<u>6</u>	<u>27,219</u>	<u>1</u>
Operating expenses	6(11)(25)(26) and 12(2)								
6100 Selling and marketing expenses		(49,318)	(2)	(37,157)	(2)	(94,240)	(2)	(69,153)	(2)
6200 General and administrative expenses		(74,065)	(3)	(43,844)	(2)	(121,947)	(2)	(102,421)	(2)
6300 Research and development expenses		(41,583)	(1)	(49,656)	(2)	(83,739)	(1)	(86,700)	(2)
6450 Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		5,356	-	-	-	6,150	-	-	-
6000 Total operating expenses		(159,610)	(6)	(130,657)	(6)	(293,776)	(5)	(258,274)	(6)
6900 Profit (loss) from operations		<u>61,985</u>	<u>2</u>	<u>(43,065)</u>	<u>(2)</u>	<u>70,058</u>	<u>1</u>	<u>(231,055)</u>	<u>(5)</u>
Non-operating income and expenses									
7100 Interest income	6(21)	2,260	-	1,039	-	4,021	-	1,821	-
7010 Other income	6(22) and 7	17,906	1	20,420	1	36,447	1	46,412	1
7020 Other gains and losses	6(2)(23)	(963)	-	(13,974)	(1)	100,524	2	(27,790)	(1)
7050 Finance costs	6(24)	(17,337)	(1)	(19,947)	(1)	(33,009)	(1)	(36,548)	(1)
7060 Share of profit of associates and joint ventures accounted for using equity method	6(8)								
		<u>176,020</u>	<u>7</u>	<u>47,711</u>	<u>2</u>	<u>324,468</u>	<u>6</u>	<u>29,416</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>177,886</u>	<u>7</u>	<u>35,249</u>	<u>1</u>	<u>432,451</u>	<u>8</u>	<u>13,311</u>	<u>-</u>
7900 Profit (loss) before income tax		<u>239,871</u>	<u>9</u>	<u>(7,816)</u>	<u>(1)</u>	<u>502,509</u>	<u>9</u>	<u>(217,744)</u>	<u>(5)</u>
7950 Income tax expense	6(27)	(13,426)	(1)	(713)	-	(26,846)	-	(713)	-
8200 Profit (loss) for the period		<u>\$ 226,445</u>	<u>8</u>	<u>(\$ 8,529)</u>	<u>(1)</u>	<u>\$ 475,663</u>	<u>9</u>	<u>(\$ 218,457)</u>	<u>(5)</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)	(\$ 2,184)	-	(\$ 7,473)	-	(\$ 2,184)	-	(\$ 7,473)	-
Items that may be reclassified subsequently to profit or loss									
8361 Exchange differences on translation of foreign financial statements		(44,838)	(1)	(67,748)	(3)	(83,323)	(2)	(119,551)	(3)
8300 Total other comprehensive loss, net		<u>(\$ 47,022)</u>	<u>(1)</u>	<u>(\$ 75,221)</u>	<u>(3)</u>	<u>(\$ 85,507)</u>	<u>(2)</u>	<u>(\$ 127,024)</u>	<u>(3)</u>
8500 Total comprehensive income (loss) for the period		<u>\$ 179,423</u>	<u>7</u>	<u>(\$ 83,750)</u>	<u>(4)</u>	<u>\$ 390,156</u>	<u>7</u>	<u>(\$ 345,481)</u>	<u>(8)</u>
Net profit (loss) attributable to:									
8610 Owners of the Company		\$ 226,445	8	(\$ 6,731)	(1)	\$ 475,663	9	(\$ 213,225)	(5)
8620 Non-controlling interests		-	-	(1,798)	-	-	-	(5,232)	-
		<u>\$ 226,445</u>	<u>8</u>	<u>(\$ 8,529)</u>	<u>(1)</u>	<u>\$ 475,663</u>	<u>9</u>	<u>(\$ 218,457)</u>	<u>(5)</u>
Total comprehensive income (loss) attributable to:									
8710 Owners of the Company		\$ 179,423	7	(\$ 81,952)	(4)	\$ 390,156	7	(\$ 340,249)	(8)
8720 Non-controlling interests		-	-	(1,798)	-	-	-	(5,232)	-
		<u>\$ 179,423</u>	<u>7</u>	<u>(\$ 83,750)</u>	<u>(4)</u>	<u>\$ 390,156</u>	<u>7</u>	<u>(\$ 345,481)</u>	<u>(8)</u>
Earnings (loss) per share	6(28)								
9750 Basic earnings (loss) per share		<u>\$ 0.34</u>		<u>(\$ 0.01)</u>		<u>\$ 0.71</u>		<u>(\$ 0.32)</u>	
9850 Diluted earnings (loss) per share		<u>\$ 0.34</u>		<u>(\$ 0.01)</u>		<u>\$ 0.71</u>		<u>(\$ 0.32)</u>	

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

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

		Equity attributable to owners of the parent										
		Retained earnings					Other equity interest					
								Unrealised (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation			
	Notes	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			Total	Non-controlling interest	Total equity
<u>For the six months ended June 30, 2020</u>												
		\$ 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
		-	-	-	-	(213,225)	-	-	-	(213,225)	(5,232)	(218,457)
Other comprehensive loss for the period	6(3)	-	-	-	-	-	(119,551)	(7,473)	-	(127,024)	-	(127,024)
Total comprehensive loss for the period		-	-	-	-	(213,225)	(119,551)	(7,473)	-	(340,249)	(5,232)	(345,481)
Appropriation and distribution of 2019 earnings:												
Special reserve	6(19)	-	-	-	229,331	(229,331)	-	-	-	-	-	-
Balance at June 30, 2020		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 676,861	\$ 759,102	(\$ 613,174)	(\$ 190,711)	\$ -	\$ 9,318,513	\$ 10,769	\$ 9,329,282
<u>For the six months ended June 30, 2021</u>												
		\$ 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		-	-	-	-	475,663	-	-	-	475,663	-	475,663
Other comprehensive loss for the period	6(3)	-	-	-	-	-	(83,323)	(2,184)	-	(85,507)	-	(85,507)
Total comprehensive income (loss) for the period		-	-	-	-	475,663	(83,323)	(2,184)	-	390,156	-	390,156
Appropriation and distribution of 2020 earnings:												
Special reserve	6(19)	-	-	-	(53,493)	53,493	-	-	-	-	-	-
Share-based payments	6(16)(17)(18)	50,000	3,903	-	-	-	-	-	(51,855)	2,048	-	2,048
Changes in equity of associates and joint ventures accounted for using equity method	6(8)(18)	-	156,334	-	-	-	-	-	-	156,334	-	156,334
Balance at June 30, 2021		\$ 6,707,285	\$ 1,099,179	\$ 1,085,124	\$ 623,368	\$ 1,415,928	(\$ 494,562)	(\$ 214,313)	(\$ 51,855)	\$ 10,170,154	\$ -	\$ 10,170,154

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 502,509	(\$ 217,744)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based compensation cost	6(16)	2,048	-
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(23)	25,177	18,133
Expected credit gain	12(2)	(6,150)	-
Share of profit of associates and joint ventures accounted for using equity method	6(8)	(324,468)	(29,416)
Depreciation expense	6(9)(10)(25)	187,628	219,844
Loss on disposal of property, plant and equipment	6(23)	-	47
Amortization expense	6(11)(25)	4,899	7,683
Interest income	6(21)	(4,021)	(1,821)
Interest expense	6(24)	33,009	36,548
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		10,607	14,113
Accounts receivable	(	80,048)	(2,150,188)
Accounts receivable - related parties	(	13,229)	1,933,150
Other receivables		5,181	(2,522)
Other receivables - related parties	(	766)	(53,363)
Inventories		8,666	571,488
Prepayments		39,071	(98,181)
Other current assets		1,417	3,539
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	31,747)	(32,990)
Current contract liabilities		5,320	21,410
Accounts payable	(	326,896)	(555,977)
Accounts payable - related parties	(	2,078)	(15)
Other payables	(	18,857)	(72,773)
Other current liabilities		3,321	546
Cash inflow (outflow) generated from operations		20,593	(388,489)
Interest received		3,797	3,236
Interest paid	(	32,656)	(36,014)
Income tax paid	(	6)	(805)
Income tax refund		199	722
Net cash flows used in operating activities	(	8,073)	(421,350)

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in current financial assets at amortised cost		\$ 51,440	\$ 652
Increase in other receivable - related parties		-	367,644
Acquisition of property, plant and equipment	6(30)	(75,904)	(26,735)
Acquisition of intangible assets	6(11)	(8,144)	(2,925)
Increase in equipment prepayments		(35,570)	(59,343)
Increase in other non-current assets		1	146
Net cash flows (used in) from investing activities		(68,177)	279,439
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(31)	2,630,296	2,553,794
Repayments of short-term borrowings	6(31)	(2,514,910)	(2,121,474)
Payments of lease liabilities	6(31)	(27)	(28)
Proceeds of long-term borrowings	6(31)	188,060	-
Repayments of long-term borrowings	6(31)	(4,583)	-
Net cash flows from financing activities		298,836	432,292
Effect of exchange rate changes on cash and cash equivalents		(43,215)	(37,177)
Net increase in cash and cash equivalents		179,371	253,204
Cash and cash equivalents at beginning of period	6(1)	412,618	192,942
Cash and cash equivalents at end of period	6(1)	\$ 591,989	\$ 446,146

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 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.
- (3) The shareholders at the shareholders’ meeting approved the change of name of the Company from Chi Mei Materials Technology Corporation to Cheng Mei Materials Technology Corporation on June 22, 2018.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 5, 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
			June 30, 2021	December 31, 2019	June 30, 2020	
Cheng Mei Materials Technology Corporation ("CMMT")	Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment Company	100%	100%	100%	-
	(Formerly Chi Mei Materials Technology (SAMOA) Corp.)					
	CM Visual Technology Corporation ("CMVT")	Electronic component manufacturing and selling	22.96%	22.96%	68.33%	Note 1, 3
	(Formerly Chi Mei Visual Technology Corporation)					
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment Company	100%	100%	100%	-
	Cheng Hui Investment Co., Ltd. ("CHI")	Investment Company	100%	100%	100%	Note 3
CMMTS	(Formerly Mao Yu Investment Co., Ltd.)					
	Cheng Hui Trading Co., Ltd. ("CHT")	Trading business	100%	100%	100%	Note 3
	(Formerly Mao Fong Trading Co., Ltd.)					
	Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacturing and selling	100%	100%	100%	-
CHI	(Formerly Ningbo Chi Mei Materials Technology Co., Ltd.)					
	CMVT	Electronic component manufacturing and selling	0.33%	0.33%	11%	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. ("KSME")	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(29) 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 six months ended June 30, 2021 and 2020 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

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) 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.

(5) 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 June 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand and revolving funds	\$ 524	\$ 503	\$ 323
Checking accounts and demand deposits	300,845	180,134	151,678
Time deposits	290,620	231,981	294,145
	<u>\$ 591,989</u>	<u>\$ 412,618</u>	<u>\$ 446,146</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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivatives	\$ 674	\$ 1,062	\$ 1,315
Debt instruments	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	4,174	4,562	4,815
Valuation adjustment	(<u>3,500</u>)	(<u>3,500</u>)	(<u>3,500</u>)
	<u>\$ 674</u>	<u>\$ 1,062</u>	<u>\$ 1,315</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current items:			
Financial liabilities held for trading			
Derivatives	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Three months ended June 30, 2021</u>	<u>Three months ended June 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 7,031	\$ 3,835
Financial liabilities held for trading		
Derivatives	(<u>1,400</u>)	(<u>8,023</u>)
	<u>\$ 5,631</u>	<u>(\$ 4,188)</u>
	<u>Six months ended June 30, 2021</u>	<u>Six months ended June 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 10,219	\$ 14,857
Financial liabilities held for trading		
Derivatives	(<u>35,396</u>)	(<u>32,990</u>)
	<u>(\$ 25,177)</u>	<u>(\$ 18,133)</u>

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:

	June 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	221,300 thousand	2021.06～2021.07	JPY	206,702 thousand	2020.12～2021.01
Forward foreign exchange contracts	JPY	221,260 thousand	2021.06～2021.08	JPY	103,520 thousand	2020.12～2021.01
Forward foreign exchange contracts	TWD	27,951 thousand	2021.06～2021.08	JPY	207,040 thousand	2020.12～2021.01
Forward foreign exchange contracts	TWD	42,003 thousand	2021.06～2021.08	JPY	206,940 thousand	2020.12～2021.01
Forward foreign exchange contracts	JPY	221,980 thousand	2021.06～2021.07	JPY	186,696 thousand	2020.12～2021.01
	June 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	218,220 thousand	2021.05～2021.07	-	-	-
Forward foreign exchange contracts	JPY	218,100 thousand	2021.05～2021.07	-	-	-
Forward foreign exchange contracts	JPY	219,700 thousand	2021.05～2021.07	-	-	-
Forward foreign exchange contracts	JPY	219,700 thousand	2021.05～2021.07	-	-	-
Forward foreign exchange contracts	JPY	219,900 thousand	2021.05～2021.07	-	-	-
Forward foreign exchange contracts	JPY	219,880 thousand	2021.05～2021.07	-	-	-
Forward foreign exchange contracts	TWD	55,250 thousand	2021.06～2021.07	-	-	-
Forward foreign exchange contracts	JPY	220,120 thousand	2021.06～2021.07	-	-	-
Forward foreign exchange contracts	JPY	220,820 thousand	2021.06～2021.07	-	-	-
Forward foreign exchange contracts	TWD	41,573 thousand	2021.06～2021.07	-	-	-
				June 30, 2020		
Derivative Financial Assets				Contract Amount (notional principal)		Contract Period
Current items:						
Forward foreign exchange contracts				JPY	216,760 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	217,900 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	217,960 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	214,180 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	215,340 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	215,300 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	215,340 thousand	2020.6～2020.7
Forward foreign exchange contracts				JPY	215,300 thousand	2020.6～2020.7

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	June 30, 2021	December 31, 2020	June 30, 2020
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 352,978	\$ 352,978	\$ 352,978
Valuation adjustment	(214,313)	(212,129)	(190,711)
	<u>\$ 138,665</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 \$138,665, \$140,849 and \$162,267 as at June 30, 2021, December 31, 2020 and June 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 June 30, 2021	Three months ended June 30, 2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 2,184)	(\$ 7,473)
	Six months ended September 30, 2021	Six months ended September 30, 2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 2,184)	(\$ 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	June 30, 2021	December 31, 2020	June 30, 2020
Current items:			
Escrow demand deposits	\$ 238,794	\$ 208,630	\$ 195,855
Pledged deposit	14,358	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	-
	<u>302,152</u>	<u>353,592</u>	<u>250,855</u>
Less : Accumulated impairment	(49,000)	(49,000)	(49,000)
	<u>\$ 253,152</u>	<u>\$ 304,592</u>	<u>\$ 201,855</u>

- A. As at June 30, 2021, December 31, 2020 and June 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 \$253,152, \$304,592 and \$201,855, 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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts receivable (including related parties)	\$ 2,756,164	\$ 2,662,887	\$ 2,574,685
Less : Allowance for uncollectible accounts	-	(6,184)	(5,921)
	<u>\$ 2,756,164</u>	<u>\$ 2,656,703</u>	<u>\$ 2,568,764</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 2,756,164	\$ 2,433,459	\$ 2,572,847
Up to 30 days	-	105,029	780
31 to 60 days	-	69,406	299
61 to 90 days	-	46,415	759
Over 91 days	-	8,578	-
	<u>\$ 2,756,164</u>	<u>\$ 2,662,887</u>	<u>\$ 2,574,685</u>

The above ageing analysis was based on past due date.

- B. As of June 30, 2021, December 31, 2020, June 30, 2020, and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,756,164, \$2,662,887, \$2,574,685 and \$2,359,233, respectively.
- C. The Group does not hold any collateral as guarantee for notes and accounts receivable.
- D. As at June 30, 2021, December 31, 2020 and June 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 \$2,756,164, \$2,656,703 and \$2,568,764, respectively.
- E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

June 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,578,544	(\$ 84,195)	\$ 1,494,349
Work in progress	449,197	(33,679)	415,518
Finished goods	782,190	(195,630)	586,560
	<u>\$ 2,809,931</u>	<u>(\$ 313,504)</u>	<u>\$ 2,496,427</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>
June 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 912,484	(\$ 149,243)	\$ 763,241
Work in progress	482,238	(51,538)	430,700
Finished goods	667,427	(286,787)	380,640
Commodities	76,750	(76,750)	-
	<u>\$ 2,138,899</u>	<u>(\$ 564,318)</u>	<u>\$ 1,574,581</u>

The cost of inventories recognized as expense for the three months and six months ended June 30, 2021 and 2020 were \$2,526,031, \$2,269,330, \$5,130,153 and \$4,278,918, respectively, including the amounts of \$28,850 and \$21,263 for the three months and six months ended June 30, 2021, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold, as well as the amounts of \$110,010 and \$154,632 for the three months and six months ended June 30, 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 that was already provisioned loss in market value decline.

(7) Prepayments

	June 30, 2021	December 31, 2020	June 30, 2020
Prepayments to suppliers	\$ 59,229	\$ 115,396	\$ 87,256
Net input VAT	1,797	1,797	9,348
Others	139,600	122,504	73,445
	<u>\$ 200,626</u>	<u>\$ 239,697</u>	<u>\$ 170,049</u>

(8) Investments accounted for using the equity method

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Associates:			
HMO	\$ 4,304,727	\$ 3,881,549	\$ 3,570,662
CMVT	<u>59,740</u>	<u>67,069</u>	<u>-</u>
	<u>\$ 4,364,467</u>	<u>\$ 3,948,618</u>	<u>\$ 3,570,662</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(29).

B. Associates

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

Company name	Principal place of business	<u>Shareholding ratio</u>			Nature of relationship	Methods of measurement
		<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>		
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

	<u>HMO</u>		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current assets	\$ 9,922,553	\$ 8,174,014	\$ 7,095,752
Non-current assets	17,528,373	13,604,351	12,487,203
Current liabilities	(10,003,717)	(8,934,299)	(6,279,630)
Non-current liabilities	(2,127,077)	(2,735,866)	(4,004,727)
Total net assets	<u>\$ 15,320,132</u>	<u>\$ 10,108,200</u>	<u>\$ 9,298,598</u>
Share in associate's net assets	<u>\$ 4,304,727</u>	<u>\$ 3,881,549</u>	<u>\$ 3,570,662</u>

Statement of comprehensive income

	HMO	
	Three months ended June 30, 2021	Three months ended June 30, 2020
Revenue	\$ 3,878,971	\$ 2,020,145
Income for the period from discontinued operations	\$ 543,826	\$ 124,247

	HMO	
	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	\$ 7,441,906	\$ 3,942,951
Income for the period from discontinued operations	\$ 1,016,234	\$ 76,605

ii.CMVT

Balance sheet

	CMVT	
	June 30, 2021	December 31, 2020
Current assets	\$ 279,759	\$ 282,787
Non-current assets	62,096	64,308
Current liabilities	(96,879)	(75,705)
Non-current liabilities	(10,757)	-
Total net assets	\$ 234,219	\$ 271,390
Share in associate's net assets	\$ 55,878	\$ 63,207
Goodwill	3,862	3,862
Carrying amount of the joint venture	\$ 59,740	\$ 67,069

Statement of comprehensive income

	CMVT	
	Three months ended June 30, 2021	Six months ended June 30, 2021
Revenue	\$ 41,069	\$ 69,385
Loss for the period from discontinued operations	(\$ 18,826)	(\$ 31,610)

- (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 six months ended June 30, 2021 and 2020 were \$176,020, \$47,711, \$324,468 and \$29,416, 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.

(9) 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	-	-	8,060	92	17,195	1,574	52,910	79,831
Reclassifications	-	-	5,405	-	-	(4,298)	73,934	75,041
Depreciation charge	-	(74,272)	(76,855)	(1,943)	(31,174)	(2,835)	-	(187,079)
Net exchange differences	-	(2,326)	(2,900)	(3)	(11)	(73)	(74)	(5,387)
Closing net book amount as at June 30	<u>\$ 1,428,543</u>	<u>\$ 1,838,178</u>	<u>\$ 331,444</u>	<u>\$ 7,595</u>	<u>\$ 185,299</u>	<u>\$ 12,383</u>	<u>\$ 159,669</u>	<u>\$ 3,963,111</u>
<u>At June 30</u>								
Cost	\$ 1,428,543	\$ 3,906,883	\$ 5,297,307	\$ 67,634	\$ 3,693,462	\$ 176,049	\$ 159,669	\$ 14,729,547
Accumulated depreciation and impairment	-	(2,068,705)	(4,965,863)	(60,039)	(3,508,163)	(163,666)	-	(10,766,436)
	<u>\$ 1,428,543</u>	<u>\$ 1,838,178</u>	<u>\$ 331,444</u>	<u>\$ 7,595</u>	<u>\$ 185,299</u>	<u>\$ 12,383</u>	<u>\$ 159,669</u>	<u>\$ 3,963,111</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	-	-	12,029	2,451	15,486	3,981	33,947
Disposals	-	-	-	-	-	(47)	(47)
Reclassifications	-	-	-	-	-	720	720
Depreciation charge	-	(74,072)	(105,516)	(3,049)	(31,919)	(4,746)	(219,302)
Net exchange differences	-	(4,401)	(6,206)	(21)	(68)	(104)	(10,800)
Closing net book amount as at June 30	<u>\$ 1,428,543</u>	<u>\$ 1,982,076</u>	<u>\$ 503,690</u>	<u>\$ 12,171</u>	<u>\$ 216,058</u>	<u>\$ 20,091</u>	<u>\$ 4,162,629</u>
<u>At June 30</u>							
Cost	\$ 1,428,543	\$ 3,890,117	\$ 5,481,903	\$ 68,384	\$ 3,676,169	\$ 254,946	\$ 14,800,062
Accumulated depreciation and impairment	-	(1,908,041)	(4,978,213)	(56,213)	(3,460,111)	(234,855)	(10,637,433)
	<u>\$ 1,428,543</u>	<u>\$ 1,982,076</u>	<u>\$ 503,690</u>	<u>\$ 12,171</u>	<u>\$ 216,058</u>	<u>\$ 20,091</u>	<u>\$ 4,162,629</u>

- A. For the three months and six months ended June 30, 2021 and 2020, there were no borrowing costs capitalized as part of property, plant and equipment.
- B. As of June 30, 2021, December 31, 2020 and June 30, 2020, the accumulated impairment of property, plant and equipment was \$258,673, \$262,756 and \$251,590, respectively, and the reportable segment was in Mainland China.
- C. The above property, plant and equipment were used for the operations of the Group and were not available for lease.
- D. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Leasing arrangements — lessee

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 29,465	\$ 30,360	\$ 29,483
Buildings	183	279	-
Other equipment	115	143	170
	<u>\$ 29,763</u>	<u>\$ 30,782</u>	<u>\$ 29,653</u>

	<u>Three months ended June 30, 2021</u>	<u>Three months ended June 30, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 213	\$ 213
Buildings	46	45
Other equipment	14	14
	<u>\$ 273</u>	<u>\$ 272</u>

	Six months ended June 30, 2021	Six months ended June 30, 2020
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 429	\$ 425
Buildings	92	89
Other equipment	28	28
	<u>\$ 549</u>	<u>\$ 542</u>

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

	Three months ended June 30, 2021	Three months ended June 30, 2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ -	\$ -
Expense on short-term lease contracts	444	14
	<u>Six months ended June 30, 2021</u>	<u>Six months ended June 30, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1	\$ 1
Expense on short-term lease contracts	624	17

F. For the three months and six months ended June 30, 2021 and 2020, the Group's total cash outflow for leases were \$458, \$28, \$652 and \$46, respectively.

(11) 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	(4,899)
At June 30	<u>\$ 11,753</u>
<u>At June 30</u>	
Cost	\$ 97,261
Accumulated amortisation and impairment	(85,508)
	<u>\$ 11,753</u>

	2020			
	Computer Software	Core Technology	Goodwill	Total
<u>At January 1</u>				
Cost	\$ 88,057	\$ 47,000	\$ 8,056	\$ 143,113
Accumulated amortisation and impairment	(75,384)	(35,642)	-	(111,026)
	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$ 32,087</u>
At January 1	\$ 12,673	\$ 11,358	\$ 8,056	\$ 32,087
Additions-acquired separately	2,925	-	-	2,925
Reclassifications	500	-	-	500
Amortisation charge	(5,333)	(2,350)	-	(7,683)
Net exchange differences	(3)	-	-	(3)
At June 30	<u>\$ 10,762</u>	<u>\$ 9,008</u>	<u>\$ 8,056</u>	<u>\$ 27,826</u>
<u>At June 30</u>				
Cost	\$ 91,456	\$ 47,000	\$ 8,056	\$ 146,512
Accumulated amortisation and impairment	(80,694)	(37,992)	-	(118,686)
	<u>\$ 10,762</u>	<u>\$ 9,008</u>	<u>\$ 8,056</u>	<u>\$ 27,826</u>

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

	Three months ended June 30, 2021	Three months ended June 30, 2020
Cost of sales	\$ 319	\$ 133
General and administrative expenses	2,548	1,982
Research and development expenses	-	1,175
	<u>\$ 2,867</u>	<u>\$ 3,290</u>
	Six months ended June 30, 2021	Six months ended June 30, 2020
Cost of sales	\$ 485	\$ 277
General and administrative expenses	4,414	5,056
Research and development expenses	-	2,350
	<u>\$ 4,899</u>	<u>\$ 7,683</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
CMVT	\$ -	\$ -	\$ 8,056

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

(12) Short-term borrowings

Type of borrowings	June 30, 2021	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 1,678,904	0.42%~3.70%	-
Bank secured borrowings	908,487	0.85%~2.57%	Land, buildings and structures
Other short-term borrowings	46,176	3.85%~4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,633,567</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	June 30, 2020	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 1,816,022	0.68%~4.80%	-
Bank secured borrowings	1,320,454	0.78%~2.57%	Land, buildings and structures
Other short-term borrowings	58,333	4.11%	Machinery and factory equipment
	<u>\$ 3,194,809</u>		

A. Information about interest expense recognised in profit or loss is provided in Note 6(24).

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

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

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

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

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

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

D. 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 June 30, 2021, December 31, 2020 and June 30, 2020, the Group issued unexpired notes in the amounts of \$48,258, \$109,497 and \$60,732 for the aforementioned transaction, respectively.

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

(13) Other payables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Payables for salaries or bonuses	\$ 124,424	\$ 164,415	\$ 128,350
Payables for annual leave	38,787	37,675	40,283
Accrued taxes payable	5,854	21,236	4,840
Payables for insurance premiums	14,577	17,192	12,286
Payables for purchase of equipment	25,063	21,136	17,137
Payables for interest	4,373	4,020	9,767
Others	184,194	146,175	145,408
	<u>\$ 397,272</u>	<u>\$ 411,849</u>	<u>\$ 358,071</u>

(14) Long-term borrowings

Type of borrowings	June 30, 2021	December 31, 2020	June 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	-
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.	180,000	134,680	-
Secured borrowings - sale with buy back agreements - Repayable from April 27, 2021 to April 27, 2023.	50,417	-	-
	<u>730,417</u>	<u>546,940</u>	<u>200,000</u>
Less: Current portion	(<u>327,500</u>)	(<u>228,912</u>)	(<u>200,000</u>)
	<u>\$ 402,917</u>	<u>\$ 318,028</u>	<u>\$ -</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(24).
- 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(12) for details.
- C. In April 2021, the Group was financed by FCB Leasing Co., Ltd. through sale with buy back agreements. As of June 30, 2021, the Group issued unexpired notes in the amount of \$53,460 for the aforementioned transaction.
- D. Information about the collateral for long-term borrowings is provided in Note 8.

(15) 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 six months ended June 30, 2021 and 2020, were \$13,493, \$8,964, \$27,950 and \$20,544, respectively.

(16) Share-based payment

A. For the six months the ended June 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:

- 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.
- During the vesting period, the RSA can participate in a distribution of share or cash dividends.
- 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.
- 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.
- 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 June 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-based payment transactions amounted to \$2,048 and \$2,048 for the three months and six months ended June 30, 2021.

(17) Share capital

A. As of June 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 June 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 June 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 "Depository") 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 Depository, 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(16)) 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.

(18) Capital surplus

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

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 June 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 (and June 30)	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 133,756</u>	<u>\$ 944,026</u>

(19) 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, respectively.

E. On April 30, 2021, the shareholders resolved not to appropriate dividends and reversed special reserves amounting to \$53,493.

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

<u>Three months ended June 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,360,935	\$ 1,386,691	\$ 2,747,626
Inter-segment revenue	1,255,409	82,341	1,337,750
Elimination of internal transaction	(1,255,409)	(82,341)	(1,337,750)
Revenue from external customer	<u>\$ 1,360,935</u>	<u>\$ 1,386,691</u>	<u>\$ 2,747,626</u>
<u>Three months ended June 30, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,541,244	\$ 815,678	\$ 2,356,922
Inter-segment revenue	687,084	26,833	713,917
Elimination of internal transaction	(687,084)	(26,833)	(713,917)
Revenue from external customer	<u>\$ 1,541,244</u>	<u>\$ 815,678</u>	<u>\$ 2,356,922</u>
<u>Six months ended June 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 2,884,048	\$ 2,609,939	\$ 5,493,987
Inter-segment revenue	2,262,045	108,373	2,370,418
Elimination of internal transaction	(2,262,045)	(108,373)	(2,370,418)
Revenue from external customer	<u>\$ 2,884,048</u>	<u>\$ 2,609,939</u>	<u>\$ 5,493,987</u>

<u>Six months ended June 30, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 2,880,761	\$ 1,425,376	\$ 4,306,137
Inter-segment revenue	1,104,637	81,102	1,185,739
Elimination of internal transaction	(1,104,637)	(81,102)	(1,185,739)
Revenue from external customer	<u>\$ 2,880,761</u>	<u>\$ 1,425,376</u>	<u>\$ 4,306,137</u>

B. Contract liabilities

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>	<u>January 1, 2020</u>
Contract liabilities –				
sale of goods	<u>\$ 56,947</u>	<u>\$ 51,627</u>	<u>\$ 43,579</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 June 30, 2021</u>	<u>Three months ended June 30, 2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 1,972</u>	<u>\$ 427</u>
	<u>Six months ended June 30, 2021</u>	<u>Six months ended June 30, 2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 51,405</u>	<u>\$ 22,117</u>

(21) Interest income

	<u>Three months ended June 30, 2021</u>	<u>Three months ended June 30, 2020</u>
Interest income from bank deposits	<u>\$ 2,260</u>	<u>\$ 1,039</u>
	<u>Six months ended June 30, 2021</u>	<u>Six months ended June 30, 2020</u>
Interest income from bank deposits	<u>\$ 4,021</u>	<u>\$ 1,821</u>

(22) Other income

	Three months ended June 30, 2021	Three months ended June 30, 2020
Rental income	\$ 1,008	\$ 317
Royalty income	12,726	13,551
Others	4,172	6,552
	<u>\$ 17,906</u>	<u>\$ 20,420</u>
	Six months ended June 30, 2021	Six months ended June 30, 2020
Rental income	\$ 1,998	\$ 635
Royalty income	26,276	27,479
Others	8,173	18,298
	<u>\$ 36,447</u>	<u>\$ 46,412</u>

(23) Other gains and losses

	Three months ended June 30, 2021	Three months ended June 30, 2020
Losses on disposals of property, plant and equipment	\$ -	(\$ 47)
Foreign exchange losses	(6,192)	(7,289)
Net gains (losses) on financial assets or liabilities at fair value through profit or loss	5,631	(4,188)
Others	(402)	(2,450)
	<u>(\$ 963)</u>	<u>(\$ 13,974)</u>
	Six months ended June 30, 2021	Six months ended June 30, 2020
Losses on disposals of property, plant and equipment	\$ -	(\$ 47)
Foreign exchange gains (losses)	126,170	(7,104)
Net losses on financial assets or liabilities at fair value through profit or loss	(25,177)	(18,133)
Others	(469)	(2,506)
	<u>\$ 100,524</u>	<u>(\$ 27,790)</u>

(24) Finance costs

	Three months ended June 30, 2021	Three months ended June 30, 2020
Interest expense - bank borrowings	\$ 17,337	\$ 19,947
Interest expense - lease liabilities	-	-
	<u>\$ 17,337</u>	<u>\$ 19,947</u>

	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expense - bank borrowings	\$ 33,008	\$ 36,547
Interest expense - lease liabilities	1	1
	<u>\$ 33,009</u>	<u>\$ 36,548</u>

(25) Expenses by nature

	Three months ended June 30, 2021	Three months ended June 30, 2020
Employee benefit expense	\$ 341,549	\$ 214,341
Depreciation charges on property, plant and equipment	92,704	109,006
Depreciation charges on right-of-use assets	273	272
Amortisation charges on intangible assets	2,867	3,290
	Six months ended June 30, 2021	Six months ended June 30, 2020
Employee benefit expense	\$ 653,662	\$ 462,871
Depreciation charges on property, plant and equipment	187,079	219,302
Depreciation charges on right-of-use assets	549	542
Amortisation charges on intangible assets	4,899	7,683

(26) Employee benefit expense

	Three months ended June 30, 2021	Three months ended June 30, 2020
Pension costs	\$ 13,493	\$ 8,964
Short-term employee benefits	328,056	205,377
	<u>\$ 341,549</u>	<u>\$ 214,341</u>
	Six months ended June 30, 2021	Six months ended June 30, 2020
Pension costs	\$ 27,950	\$ 20,544
Short-term employee benefits	625,712	442,327
	<u>\$ 653,662</u>	<u>\$ 462,871</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 six months ended June 30, 2021, employee's compensation and director's remuneration were both accrued at \$0. The Company incurred losses for the six months ended June 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.

(27) Income tax

A. Income tax expense

	Three months ended June 30, 2021	Three months ended June 30, 2020
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	-	713
Total current tax	-	713
Deferred tax:		
Origination and reversal of temporary differences	13,426	-
Total deferred tax	13,426	-
Income tax expense	\$ 13,426	\$ 713
	Six months ended June 30, 2021	Six months ended June 30, 2020
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax (overestimation) underestimation	(8)	713
Total current tax	(8)	713
Deferred tax:		
Origination and reversal of temporary differences	26,854	-
Total deferred tax	26,854	-
Income tax expense	\$ 26,846	\$ 713

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

(28) Earnings (loss) per share

Three months ended June 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	\$ 226,445	665,729	\$ 0.34
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 226,445	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	267	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 226,445	665,996	\$ 0.34
Three months ended June 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	(\$ 6,731)	665,729	(\$ 0.01)
Six months ended June 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	\$ 475,663	665,729	\$ 0.71
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 475,663	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	112	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 475,663	665,841	\$ 0.71

	Six months ended June 30, 2020	
	Weighted average number of ordinary shares outstanding	Loss per share
	Amount after tax (share in thousands)	(in dollars)
<u>Basic and diluted loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 213,225)	665,729 (\$ 0.32)

(29) Transactions with non-controlling interest

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

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 year ended December 31, 2020 is shown below:

	Year ended December 31, 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:

	<u>December 31, 2019</u>
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	<u>\$ 59,342</u>

(c) Gains on disposal of subsidiaries

	<u>CMVT</u>
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>

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	Six months ended June 30, 2021	Six months ended June 30, 2020
Purchase of property, plant and equipment	\$ 79,831	\$ 33,947
Add: Opening balance of payable on equipment	21,136	9,925
Less: Ending balance of payable on equipment	(25,063)	(17,137)
Cash paid	<u>\$ 75,904</u>	<u>\$ 26,735</u>

B. Operating and investing activities with no cash flow effects

	Six months ended June 30, 2021	Six months ended June 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>\$ 75,041</u>	<u>\$ 720</u>
(c) Prepayments for equipment transferred to intangible assets	<u>\$ -</u>	<u>\$ 500</u>

(31) Changes in liabilities from financing activities

	At January 1, 2021	Changes in cash flow from financing activities	Effect of foreign exchange	At June 30, 2021
Short-term borrowings	\$ 2,548,884	\$ 115,386	(\$ 30,703)	\$ 2,633,567
Lease liabilities	145	(27)	-	118
Long-term borrowings	546,940	183,477	-	730,417
Guarantee deposits received	<u>40</u>	<u>-</u>	<u>-</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 3,096,009</u>	<u>\$ 298,836</u>	<u>(\$ 30,703)</u>	<u>\$ 3,364,142</u>

	At January 1, 2020	Changes in cash flow from financing activities	Effect of foreign exchange	At June 30, 2020
Short-term borrowings	\$ 2,788,425	\$ 432,320	(\$ 25,936)	\$ 3,194,809
Lease liabilities	200	(28)	-	172
Long-term borrowings	200,000	-	-	200,000
Guarantee deposits received	<u>40</u>	<u>-</u>	<u>-</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 2,988,665</u>	<u>\$ 432,292</u>	<u>(\$ 25,936)</u>	<u>\$ 3,395,021</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 June 30, 2021</u>	<u>Three months ended June 30, 2020</u>
Sales of goods:		
Associates	\$ 44,087	\$ -
Innolux	-	256,095
Ningbo Innolux	-	150,837
Foshan Innolux	-	122,495
Affiliates	-	38,832
	<u>\$ 44,087</u>	<u>\$ 568,259</u>
	<u>Six months ended June 30, 2021</u>	<u>Six months ended June 30, 2020</u>
Sales of goods:		
Associates	\$ 61,931	\$ -
Innolux	-	907,436
Ningbo Innolux	-	482,633
Foshan Innolux	-	449,232
Affiliates	-	129,704
	<u>\$ 61,931</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

	Three months ended June 30, 2021	Three months ended June 30, 2020
Purchases of goods:		
Associates	\$ 350	\$ -
	Six months ended June 30, 2021	Six months ended June 30, 2020
Purchases of goods:		
Associates	\$ 918	\$ -

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

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts receivable:			
Associates	\$ 57,949	\$ 44,720	\$ 460
Other receivables (excluding loans):			
HMO	\$ 50,775	\$ 51,820	\$ 107,917
Associates	4,032	2,221	-
	\$ 54,807	\$ 54,041	\$ 107,917

D. Contract liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
HMO	\$ 38,177	\$ 13,774	\$ 40,651

E. Payables to related parties

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts payable:			
Associates	\$ 352	\$ 2,430	\$ 1,225

F. Other revenue

	Three months ended June 30, 2021	Three months ended June 30, 2020
HMO	\$ 12,726	\$ 13,551
Associates	3,435	-
	<u>\$ 16,161</u>	<u>\$ 13,551</u>
	Six months ended June 30, 2021	Six months ended June 30, 2020
HMO	\$ 26,276	\$ 27,479
Associates	5,295	-
	<u>\$ 31,571</u>	<u>\$ 27,479</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Outstanding balance			
HMO	\$ -	\$ -	\$ 383,193

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>June 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>\$ 2,808,175</u>	<u>\$ 2,036,518</u>	<u>\$ 3,502,344</u>	<u>\$ 2,364,136</u>
	<u>June 30, 2020</u>			
	Outstanding endorsements / guarantee amount	Actual amount drawn down		
HMO	<u>\$ 3,353,512</u>	<u>\$ 2,831,578</u>		

(3) Key management compensation

	Three months ended June 30, 2021	Three months ended June 30, 2020
Salaries and other short-term employee benefits	\$ 9,354	\$ 7,288
Post-employment benefits	132	97
	<u>\$ 9,486</u>	<u>\$ 7,385</u>
	Six months ended June 30, 2021	Six months ended June 30, 2020
Salaries and other short-term employee benefits	\$ 25,660	\$ 14,416
Post-employment benefits	285	216
	<u>\$ 25,945</u>	<u>\$ 14,632</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2021	December 31, 2020	June 30, 2020	
Demand deposit (Note)	\$ 238,794	\$ 208,630	\$ 195,855	An escrow account for debt negotiation procedures
Pledged deposits (Note)	14,358	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	1,693,993	1,758,913	1,823,832	Long-term and short-term loan
Property, plant and equipment - machinery and equipment	85,777	116,616	156,739	Short-term loan
Property, plant and equipment - office equipment	2,896	4,619	-	Short-term loan
Property, plant and equipment - factory equipment	68,364	80,808	83,195	Short-term loan
Property, plant and equipment - miscellaneous equipment	3,774	1,790	-	Short-term loan
Property, plant and equipment - construction in progress and equipment under acceptance	79,853	-	-	Long-term loan
	<u>\$ 3,616,352</u>	<u>\$ 3,605,919</u>	<u>\$ 3,694,164</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 June 30, 2021, December 31, 2020 and June 30, 2020, were as follows:

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

	Units: Foreign currency (in thousand)		
	June 30, 2021	December 31, 2020	June 30, 2020
JPY	\$ 2,582,405	\$ 2,276,309	\$ 1,646,317
USD	59	539	-

- (2) As of June 30, 2021, December 31, 2020 and June 30, 2020, the amounts of guarantees provided by financial institutions for the purpose of importing goods were \$104,847, \$97,917 and \$68,865, respectively.

- (3) As of June 30, 2021, December 31, 2020 and June 30, 2020, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$148,245, \$71,464 and \$36,643, 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 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>\$ 674</u>	<u>\$ 1,062</u>	<u>\$ 1,315</u>
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	<u>\$ 138,665</u>	<u>\$ 140,849</u>	<u>\$ 162,267</u>
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	\$ 591,989	\$ 412,618	\$ 446,146
Financial assets at amortised cost	253,152	304,592	201,855
Accounts receivable	2,756,164	2,656,703	2,568,764
Other receivables	115,048	119,274	550,196
Refundable deposits	<u>8,790</u>	<u>8,790</u>	<u>8,790</u>
	<u>\$ 3,725,143</u>	<u>\$ 3,501,977</u>	<u>\$ 3,775,751</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities at amortised cost			
Short-term borrowings	\$ 2,633,567	\$ 2,548,884	\$ 3,194,809
Accounts payable	1,018,179	1,347,153	517,256
Other payables	397,272	411,849	358,071
Long-term borrowings (including current portion)	730,417	546,940	200,000
Guarantee deposits received	<u>40</u>	<u>40</u>	<u>40</u>
	<u>\$ 4,779,475</u>	<u>\$ 4,854,866</u>	<u>\$ 4,270,176</u>
Lease liabilities	<u>\$ 118</u>	<u>\$ 145</u>	<u>\$ 172</u>

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:

	June 30, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 83,672	27.86	\$ 2,331,102
JPY:NTD	655,092	0.2521	165,149
USD:RMB	40,339	6.466	1,123,925
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,322	27.86	176,131
JPY:NTD	6,490,708	0.2521	1,636,307
RMB:NTD	392	4.309	1,689
USD:RMB	60,959	6.466	1,698,439

	December 31, 2020		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(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	28.480	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
	June 30, 2020		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 83,151	29.63	\$ 2,463,764
JPY:NTD	148,702	0.2751	40,908
RMB:NTD	61,404	4.191	257,344
USD:RMB	36,263	7.070	1,074,473
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	7,439	29.63	220,418
JPY:NTD	6,394,666	0.2751	1,759,173
RMB:NTD	538	4.191	2,255
USD:RMB	38,879	7.070	1,151,984

- ii. Total exchange (losses) gains, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2021 and 2020, amounted to (\$6,192), (\$7,289), \$126,170 and (\$7,104), respectively.

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

Six months ended June 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%	\$ 11,656		-
JPY:NTD	0.5%	826		-
USD:RMB	0.5%	5,620		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	0.5%	881		-
JPY:NTD	0.5%	8,181		-
RMB:NTD	0.5%	8		-
USD:RMB	0.5%	8,492		-
Six months ended June 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%	\$ 12,319		-
JPY:NTD	0.5%	205		-
RMB:NTD	0.5%	1,287		-
USD:RMB	0.5%	5,372		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	0.5%	1,102		-
JPY:NTD	0.5%	8,796		-
RMB:NTD	0.5%	11		-
USD:RMB	0.5%	5,760		-

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 six months ended June 30, 2021 and 2020, would have increased/decreased by \$1,387 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 six months ended June 30, 2021 and 2020, would have increased/decreased by \$16,337 and \$16,683, 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
June 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%
June 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 June 30, 2021, Decembers 31, 2020 and June 30, 2020, the total amount of the Group's accounts receivable which past due over 31 days were 0%, 4.67% and 0%, 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	(6,150)	-
Amount written off due to uncollectible accounts	- (1,586)	(1,586)
Effects on exchange rate	(34)	(161)
June 30	<u>\$ -</u>	<u>\$ 5,921</u>

viii. For provisioned loss for the three months and six months ended June 30, 2021 and 2020, the reversal of impairment arising from customers' contract amounts to \$5,356, \$0, \$6,150 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 June 30, 2021, December 31, 2020 and June 30, 2020, the Group held money market positions of \$591,465, \$502,077 and \$445,823, 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:

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured bank overdraft facility			
Amount unused	\$ 1,481,218	\$ 1,556,415	\$ 1,206,817
Secured bank overdraft facility			
Amount unused	46,900	237,930	78,172
	<u>\$ 1,528,118</u>	<u>\$ 1,794,345</u>	<u>\$ 1,284,989</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.

June 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	\$ 2,657,178	\$ -	\$ -
Accounts payable	1,018,179	-	-
Other payables	397,272	-	-
Long-term borrowings (including current portion)	342,401	420,170	-
Lease liabilities	57	62	-
<u>Derivative financial liabilities</u>			
Forward foreign exchange contracts	3,649	-	-

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	-

June 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	\$ 3,225,667	\$ -	\$ -
Accounts payable	517,256	-	-
Other payables	358,071	-	-
Long-term borrowings	201,500	-	-
(including current portion)			
Lease liabilities	57	119	-

(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

June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 674	\$ -	\$ 674
Financial assets at FVOCI				
Equity securities	-	-	138,665	138,665
	<u>\$ -</u>	<u>\$ 674</u>	<u>\$ 138,665</u>	<u>\$ 139,339</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 3,649	\$ -	\$ 3,649

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>

June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,315	\$ -	\$ 1,315
Financial assets at FVOCI				
Equity securities	-	-	162,267	162,267
	<u>\$ -</u>	<u>\$ 1,315</u>	<u>\$ 162,267</u>	<u>\$ 163,582</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

Financial Instruments	Listed shares
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 six months ended June 30, 2021 and 2020, there was no transfer between level 1 and level 2.

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

	Six months ended June 30, 2021	
	Equity instrument	Debt instrument
At January 1 (And June 30)	\$ 140,849	\$ -
Losses recognised in other comprehensive income	(2,184)	-
At June 30	<u>\$ 138,665</u>	<u>\$ -</u>
	Six months ended June 30, 2020	
	Equity instrument	Debt instrument
At January 1	\$ 169,740	\$ -
Losses recognised in other comprehensive income	(7,473)	-
At June 30	<u>\$ 162,267</u>	<u>\$ -</u>

F. For the six months ended June 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 June 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 124,927	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

		<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments						
Unlisted shares	\$	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
		<u>Fair value at June 30, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments						
Unlisted shares	\$	140,170	Market comparable companies	Multiple price-book ratio	0.45~1.90	The higher the price-book ratio, the higher the fair value
		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:

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

		June 30, 2020		
		Recognised in other comprehensive income		
			Favourable change	Unfavourable change
	Input	Change		
Financial assets				
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 taking turns working 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 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 June 30, 2021			
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 1,360,935	\$ 1,386,691	\$ -	\$ 2,747,626
Inter-segment revenue	1,255,409	82,341	(1,337,750)	-
Total segment revenue	<u>\$ 2,616,344</u>	<u>\$ 1,469,032</u>	<u>(\$ 1,337,750)</u>	<u>\$ 2,747,626</u>
Segment income (loss)	<u>(\$ 55,427)</u>	<u>\$ 117,412</u>	<u>\$ -</u>	<u>\$ 61,985</u>

Three months ended June 30, 2020				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 1,541,244	\$ 815,678	\$ -	\$ 2,356,922
Inter-segment revenue	687,084	26,833	(713,917)	-
Total segment revenue	<u>\$ 2,228,328</u>	<u>\$ 842,511</u>	<u>(\$ 713,917)</u>	<u>\$ 2,356,922</u>
Segment income (loss)	<u>(\$ 108,977)</u>	<u>\$ 44,624</u>	<u>\$ 21,288</u>	<u>(\$ 43,065)</u>
Six months ended June 30, 2021				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 2,884,048	\$ 2,609,939	\$ -	\$ 5,493,987
Inter-segment revenue	2,262,045	108,373	(2,370,418)	-
Total segment revenue	<u>\$ 5,146,093</u>	<u>\$ 2,718,312</u>	<u>(\$ 2,370,418)</u>	<u>\$ 5,493,987</u>
Segment income (loss)	<u>(\$ 113,279)</u>	<u>\$ 183,337</u>	<u>\$ -</u>	<u>\$ 70,058</u>
Six months ended June 30, 2020				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 2,880,761	\$ 1,425,376	\$ -	\$ 4,306,137
Inter-segment revenue	1,104,637	81,102	(1,185,739)	-
Total segment revenue	<u>\$ 3,985,398</u>	<u>\$ 1,506,478</u>	<u>(\$ 1,185,739)</u>	<u>\$ 4,306,137</u>
Segment income (loss)	<u>(\$ 314,992)</u>	<u>\$ 61,591</u>	<u>\$ 22,346</u>	<u>(\$ 231,055)</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

Six months ended June 30, 2021

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at June 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
					balance during the six months ended June 30, 2021								Item	Value			
1	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 27,108	\$ 26,467	\$ 26,467	2.97%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,017,015	\$ 2,034,031	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

Six months ended June 30, 2021

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of June 30, 2021	Outstanding endorsement/ guarantee amount at June 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
		Company name													
0	Cheng Mei Materials Technology Corporation	Hengmei Optoelectronic Co., Ltd.		6	\$ 5,085,077	\$ 2,808,175	\$ 2,808,175	\$ 2,036,518	\$ -	27.61%	\$ 10,170,154	N	N	Y	Note 3,4,5

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

(1) The Company is '0'

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

Note 5: The Company's endorsement/guarantee amount to 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.

Cheng Mei Materials Technology Corporation And Subsidiaries

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

June 30, 2021

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 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	\$ 124,927	6.41%	\$ 124,927	-
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

Six months ended June 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	(\$ 2,321,547)	(45%)	-	-	-	\$ 952,018	42%	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 June 30, 2021, was \$59,502.

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

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 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 \$ 952,018	6.79	\$ -	-	\$ 410,293	\$ -

Cheng Mei Materials Technology Corporation And Subsidiaries
Significant inter-company transactions during the reporting periods
Six months ended June 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	\$ 2,321,547	-	42%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	952,018	-	6%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	94,051	-	2%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	51,682	-	-
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Other receivables	26,467	-	-

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)

Six months ended June 30, 2021

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2021			Net profit (loss) of the investee for the six months ended June 30, 2021	Investment income(loss) recognised by the Company six months ended June 30, 2021	Footnote
				Balance as at June 30, 2021	Balance as at June 30, 2021	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%	\$ 1,190,001	\$ 184,064	\$ 184,064	
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	289,000	6,638	22.96%	58,889 (	31,610) (	7,226)	
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	4,304,469	331,799	331,799	
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	151,870	15,187	100%	18,726 (	121) (	121)	
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	211,000	21,100	100%	48,206 (	2) (	2)	
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	851 (	31,610)	Note	
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	26,636	264	Note	

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

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investments in Mainland China

Six months ended June 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 of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for the six months ended June 30,2021		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	Net income of investee as of June 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2021	Book value of investments in Mainland China as of June 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 568,554	2	\$ 370,538	\$ -	\$ -	\$ 370,538	\$ 184,064	100.00	\$ 184,064	\$ 1,190,234	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	10,880,898	2	4,081,490	-	-	4,081,490	1,016,234	28.10	331,799	4,304,727	-	Note 3
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	27,860	2	27,860	-	-	27,860	-	100.00	-	-	-	Note 4

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 28.171 to US\$1 from January 1, 2021 to June 30, 2021, otherwise are re-translated at the exchange rates of NTD 27.86 to US\$1 prevailing at the June 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

Six months ended June 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 June 30, 2021	%	Balance at June 30, 2021	Purpose	Maximum balance during the six months ended June 30, 2021	Balance at June 30, 2021	Interest rate	Interest during the six months ended June 30, 2021	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,321,547	45%	\$ -	-	\$ 952,018	42%	\$ -	-	\$ -	-	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(94,051)	3%	-	-	(51,682)	2%	-	-	-	-	-	-	-

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 June 30, 2021, was \$59,502.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

June 30, 2021

Table 10

Name of major shareholders	Shares		Express in shares
	Name of shares held	Ownership (%)	
Innolux Corporation		57,211,305	8.59%

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