

**Chi Mei Materials Technology Corporation  
and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2018 and 2017 and  
Independent Auditor's Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Chi Mei Materials Technology Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Chi Mei Materials Technology Corporation (CMMT) and its subsidiaries (collectively referred to as the Corporation) as of March 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended, and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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.

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Corporation as of March 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Ming-Hui Chen and Ming-Yuan Chung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 4, 2018

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

| ASSETS                                                                                   | March 31, 2018<br>(Reviewed) |            | December 31, 2017<br>(Audited) |            | March 31, 2017<br>(Reviewed) |            |
|------------------------------------------------------------------------------------------|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
|                                                                                          | Amount                       | %          | Amount                         | %          | Amount                       | %          |
| CURRENT ASSETS                                                                           |                              |            |                                |            |                              |            |
| Cash and cash equivalents (Notes 6 and 32)                                               | \$ 4,401,949                 | 17         | \$ 4,497,296                   | 19         | \$ 3,738,816                 | 18         |
| Financial assets at fair value through profit or loss - current<br>(Notes3, 4, 7 and 32) | 1,614                        | -          | -                              | -          | 12,211                       | -          |
| Financial assets at amortized cost - current (Notes 3, 4 and 8)                          | 196,179                      | 1          | -                              | -          | -                            | -          |
| Available-for-sale financial assets - current (Notes 4, 9 and 32)                        | -                            | -          | -                              | -          | 12,038                       | -          |
| Notes receivable (Notes 10 and 32)                                                       | 232,350                      | 1          | 484,392                        | 2          | -                            | -          |
| Notes receivable - related parties (Notes 10, 32 and 33)                                 | -                            | -          | 4,565                          | -          | -                            | -          |
| Accounts receivable, net (Notes 10 and 32)                                               | 3,130,298                    | 12         | 3,062,933                      | 13         | 3,091,619                    | 14         |
| Accounts receivable - related parties (Notes 10, 32 and 33)                              | 266                          | -          | -                              | -          | -                            | -          |
| Other receivables (Note 10 )                                                             | 144,977                      | 1          | 160,660                        | 1          | 29,695                       | -          |
| Other receivables - related parties (Note 33)                                            | 12,441                       | -          | 12,422                         | -          | 5                            | -          |
| Inventories (Note 11)                                                                    | 2,589,579                    | 10         | 2,282,710                      | 10         | 2,166,620                    | 10         |
| Other current assets (Note 16)                                                           | <u>1,034,278</u>             | <u>4</u>   | <u>990,261</u>                 | <u>4</u>   | <u>780,794</u>               | <u>4</u>   |
| Total current assets                                                                     | <u>11,743,931</u>            | <u>46</u>  | <u>11,495,239</u>              | <u>49</u>  | <u>9,831,798</u>             | <u>46</u>  |
| NON-CURRENT ASSETS                                                                       |                              |            |                                |            |                              |            |
| Property, plant and equipment (Note 13)                                                  | 11,461,590                   | 45         | 11,169,695                     | 48         | 10,885,958                   | 51         |
| Goodwill (Note 14)                                                                       | 8,056                        | -          | 8,056                          | -          | 8,929                        | -          |
| Other intangible assets (Note 15)                                                        | 80,948                       | 1          | 87,576                         | -          | 46,168                       | -          |
| Deferred tax assets (Notes 4 and 25)                                                     | 56,552                       | -          | 56,502                         | -          | 11,230                       | -          |
| Prepayments for purchases of equipment (Note 16)                                         | 933,794                      | 4          | 165,706                        | 1          | 260,280                      | 1          |
| Long-term prepayments (Note 16)                                                          | 811,590                      | 3          | 201,812                        | 1          | 3,476                        | -          |
| Other non-current assets (Note 16)                                                       | <u>273,978</u>               | <u>1</u>   | <u>274,005</u>                 | <u>1</u>   | <u>266,917</u>               | <u>2</u>   |
| Total non-current assets                                                                 | <u>13,626,508</u>            | <u>54</u>  | <u>11,963,352</u>              | <u>51</u>  | <u>11,482,958</u>            | <u>54</u>  |
| TOTAL                                                                                    | <u>\$ 25,370,439</u>         | <u>100</u> | <u>\$ 23,458,591</u>           | <u>100</u> | <u>\$ 21,314,756</u>         | <u>100</u> |

| LIABILITIES AND EQUITY                                                                      | March 31, 2018<br>(Reviewed) |            | December 31, 2017<br>(Audited) |            | March 31, 2017<br>(Reviewed) |            |
|---------------------------------------------------------------------------------------------|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
|                                                                                             | Amount                       | %          | Amount                         | %          | Amount                       | %          |
| CURRENT LIABILITIES                                                                         |                              |            |                                |            |                              |            |
| Short-term bank loans (Notes 17 and 32)                                                     | \$ 5,729,143                 | 23         | \$ 3,813,259                   | 16         | \$ 2,798,790                 | 13         |
| Short-term bills payable (Notes 17 and 32)                                                  | -                            | -          | 100,000                        | 1          | 500,000                      | 2          |
| Financial liabilities at fair value through profit or loss -<br>current (Notes 3, 7 and 32) | -                            | -          | 349                            | -          | -                            | -          |
| Contract liabilities - current (Notes 3, 4 and 23)                                          | 650                          | -          | -                              | -          | -                            | -          |
| Notes payable (Notes 18 and 32)                                                             | 46,702                       | -          | 132,463                        | 1          | -                            | -          |
| Accounts payable (Notes 18 and 32)                                                          | 1,707,183                    | 7          | 1,974,351                      | 8          | 1,682,872                    | 8          |
| Other payables (Notes 19 and 32)                                                            | 1,053,320                    | 4          | 1,480,747                      | 6          | 1,440,716                    | 7          |
| Other payables - related parties (Note 33)                                                  | 206                          | -          | 1,144                          | -          | 468                          | -          |
| Current tax liabilities (Notes 4 and 25)                                                    | 2,305                        | -          | 435                            | -          | 2,531                        | -          |
| Provisions - current (Notes 3 and 20)                                                       | -                            | -          | 9,564                          | -          | -                            | -          |
| Current portion of long-term bank loans (Notes 17 and 32)                                   | 3,623,379                    | 14         | 2,639,833                      | 11         | 2,538,835                    | 12         |
| Deferred revenue - current (Note 19)                                                        | 11,679                       | -          | -                              | -          | -                            | -          |
| Other current liabilities (Note 19)                                                         | <u>7,387</u>                 | <u>-</u>   | <u>25,004</u>                  | <u>-</u>   | <u>48,082</u>                | <u>-</u>   |
| Total current liabilities                                                                   | <u>12,181,954</u>            | <u>48</u>  | <u>10,177,149</u>              | <u>43</u>  | <u>9,012,294</u>             | <u>42</u>  |
| NON-CURRENT LIABILITIES                                                                     |                              |            |                                |            |                              |            |
| Long-term bank loans (Notes 17 and 32)                                                      | -                            | -          | -                              | -          | -                            | -          |
| Guarantee deposits                                                                          | 173                          | -          | 171                            | -          | 84                           | -          |
| Long-term deferred revenue (Note 19)                                                        | <u>210,223</u>               | <u>1</u>   | <u>-</u>                       | <u>-</u>   | <u>-</u>                     | <u>-</u>   |
| Total non-current liabilities                                                               | <u>210,396</u>               | <u>1</u>   | <u>171</u>                     | <u>-</u>   | <u>84</u>                    | <u>-</u>   |
| Total liabilities                                                                           | <u>12,392,350</u>            | <u>49</u>  | <u>10,177,320</u>              | <u>43</u>  | <u>9,012,378</u>             | <u>42</u>  |
| EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Notes 22 )                                       |                              |            |                                |            |                              |            |
| Share capital                                                                               |                              |            |                                |            |                              |            |
| Common shares                                                                               | <u>6,657,285</u>             | <u>26</u>  | <u>6,657,285</u>               | <u>28</u>  | <u>5,157,285</u>             | <u>24</u>  |
| Capital surplus                                                                             | <u>860,482</u>               | <u>4</u>   | <u>856,768</u>                 | <u>4</u>   | <u>453,761</u>               | <u>2</u>   |
| Retained earnings                                                                           |                              |            |                                |            |                              |            |
| Legal reserve                                                                               | 1,085,124                    | 4          | 1,085,124                      | 5          | 1,085,124                    | 5          |
| Special reserve                                                                             | 202,973                      | 1          | 202,973                        | 1          | 36,849                       | -          |
| Unappropriated earnings                                                                     | <u>2,450,910</u>             | <u>10</u>  | <u>2,789,804</u>               | <u>12</u>  | <u>3,733,887</u>             | <u>18</u>  |
|                                                                                             | <u>3,739,007</u>             | <u>15</u>  | <u>4,077,901</u>               | <u>18</u>  | <u>4,855,860</u>             | <u>23</u>  |
| Other equity                                                                                | <u>(198,916)</u>             | <u>(1)</u> | <u>(246,224)</u>               | <u>(1)</u> | <u>(344,153)</u>             | <u>(1)</u> |
| Total equity attributable to the owners of CMMT                                             | 11,057,858                   | 44         | 11,345,730                     | 49         | 10,122,753                   | 48         |
| NON-CONTROLLING INTERESTS                                                                   | <u>1,920,231</u>             | <u>7</u>   | <u>1,935,541</u>               | <u>8</u>   | <u>2,179,625</u>             | <u>10</u>  |
| Total equity                                                                                | <u>12,978,089</u>            | <u>51</u>  | <u>13,281,271</u>              | <u>57</u>  | <u>12,302,378</u>            | <u>58</u>  |
| TOTAL                                                                                       | <u>\$ 25,370,439</u>         | <u>100</u> | <u>\$ 23,458,591</u>           | <u>100</u> | <u>\$ 21,314,756</u>         | <u>100</u> |

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

# CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

|                                                                          | Three Months Ended March 31 |             |                     |             |
|--------------------------------------------------------------------------|-----------------------------|-------------|---------------------|-------------|
|                                                                          | 2018                        |             | 2017                |             |
|                                                                          | Amount                      | %           | Amount              | %           |
| NET SALES (Note 23)                                                      | \$ 2,882,022                | 100         | \$ 2,734,789        | 100         |
| COST OF SALES (Notes 11 and 24)                                          | <u>2,996,012</u>            | <u>104</u>  | <u>2,911,321</u>    | <u>107</u>  |
| GROSS LOSS                                                               | <u>(113,990)</u>            | <u>(4)</u>  | <u>(176,532)</u>    | <u>(7)</u>  |
| OPERATING EXPENSES (Note 24)                                             |                             |             |                     |             |
| Selling and marketing expenses                                           | 62,319                      | 2           | 44,698              | 2           |
| General and administrative expenses                                      | 66,723                      | 2           | 53,622              | 2           |
| Research and development expenses                                        | <u>107,837</u>              | <u>4</u>    | <u>97,414</u>       | <u>3</u>    |
| Total operating expenses                                                 | <u>236,879</u>              | <u>8</u>    | <u>195,734</u>      | <u>7</u>    |
| LOSS FROM OPERATIONS                                                     | <u>(350,869)</u>            | <u>(12)</u> | <u>(372,266)</u>    | <u>(14)</u> |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 24 and 33)                   |                             |             |                     |             |
| Other income                                                             | 7,210                       | -           | 14,700              | 1           |
| Other gains and losses                                                   | 19,145                      | -           | (183,541)           | (7)         |
| Finance costs                                                            | <u>(63,451)</u>             | <u>(2)</u>  | <u>(10,106)</u>     | <u>-</u>    |
| Total non-operating income and expenses                                  | <u>(37,096)</u>             | <u>(2)</u>  | <u>(178,947)</u>    | <u>(6)</u>  |
| LOSS BEFORE INCOME TAX                                                   | (387,965)                   | (14)        | (551,213)           | (20)        |
| INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 25)                            | <u>(2,287)</u>              | <u>-</u>    | <u>91,323</u>       | <u>3</u>    |
| NET LOSS FOR THE YEAR                                                    | <u>(390,252)</u>            | <u>(14)</u> | <u>(459,890)</u>    | <u>(17)</u> |
| OTHER COMPREHENSIVE INCOME (LOSS)                                        |                             |             |                     |             |
| Items that may be reclassified subsequently to profit or loss: (Note 22) |                             |             |                     |             |
| Exchange differences on translating foreign operations                   | 81,070                      | 3           | (243,150)           | (9)         |
| Unrealized gain on available-for-sale financial assets                   | <u>-</u>                    | <u>-</u>    | <u>10</u>           | <u>-</u>    |
| Other comprehensive loss (income) for the period, net of income tax      | <u>81,070</u>               | <u>3</u>    | <u>(243,140)</u>    | <u>(9)</u>  |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD                                  | <u>\$ (309,182)</u>         | <u>(11)</u> | <u>\$ (703,030)</u> | <u>(26)</u> |

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# CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

|                                           | Three Months Ended March 31 |             |                     |             |
|-------------------------------------------|-----------------------------|-------------|---------------------|-------------|
|                                           | 2018                        |             | 2017                |             |
|                                           | Amount                      | %           | Amount              | %           |
| NET LOSS ATTRIBUTABLE TO:                 |                             |             |                     |             |
| Owners of CMMT                            | \$ (338,894)                | (12)        | \$ (448,301)        | (16)        |
| Non-controlling interests                 | <u>(51,358)</u>             | <u>(2)</u>  | <u>(11,589)</u>     | <u>(1)</u>  |
|                                           | <u>\$ (390,252)</u>         | <u>(14)</u> | <u>\$ (459,890)</u> | <u>(17)</u> |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO: |                             |             |                     |             |
| Owners of CMMT                            | \$ (291,586)                | (10)        | \$ (589,481)        | (22)        |
| Non-controlling interests                 | <u>(17,596)</u>             | <u>(1)</u>  | <u>(113,549)</u>    | <u>(4)</u>  |
|                                           | <u>\$ (309,182)</u>         | <u>(11)</u> | <u>\$ (703,030)</u> | <u>(26)</u> |
| LOSS PER SHARE (Note 26)                  |                             |             |                     |             |
| Basic loss per share                      | <u>\$ (0.51)</u>            |             | <u>\$ (0.87)</u>    | -           |
| Diluted loss per share                    | <u>\$ (0.51)</u>            |             | <u>\$ (0.87)</u>    | -           |

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

(Concluded)

# CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

|                                                                                                                                              | Equity Attributable to Owners of CMMT (Note 22) |                     |                   |                       |                         |                         |                                                         |                                                        |                      |                           |                      |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------|-------------------|-----------------------|-------------------------|-------------------------|---------------------------------------------------------|--------------------------------------------------------|----------------------|---------------------------|----------------------|
|                                                                                                                                              |                                                 |                     |                   |                       |                         |                         | Other Equity                                            |                                                        | Total                | Non-controlling Interests | Total Equity         |
|                                                                                                                                              |                                                 |                     |                   |                       |                         |                         | Exchanges Differences on Translating Foreign Operations | Unrealized Gain on Available-for-sale Financial Assets |                      |                           |                      |
|                                                                                                                                              | Share Capital                                   |                     | Capital Surplus   | Legal Capital Reserve | Retained Earnings       |                         |                                                         |                                                        |                      |                           |                      |
|                                                                                                                                              | Shares (In Thousand)                            | Common Share        |                   |                       | Special Capital Reserve | Unappropriated Earnings |                                                         |                                                        |                      |                           |                      |
| BALANCE AT JANUARY 1, 2017                                                                                                                   | 515,729                                         | \$ 5,157,285        | \$ 453,761        | \$ 1,085,124          | \$ 36,849               | \$ 4,182,188            | \$ (202,996)                                            | \$ 23                                                  | \$ 10,712,234        | \$ 2,287,298              | \$ 12,999,532        |
| Changes in non-controlling interests                                                                                                         | -                                               | -                   | -                 | -                     | -                       | -                       | -                                                       | -                                                      | -                    | 5,876                     | 5,876                |
| Net loss for the three months ended March 31, 2017                                                                                           | -                                               | -                   | -                 | -                     | -                       | (448,301)               | -                                                       | -                                                      | (448,301)            | (11,589)                  | (459,890)            |
| Other comprehensive income (loss) for the three months ended March 31, 2017, net of income tax                                               | -                                               | -                   | -                 | -                     | -                       | -                       | (141,188)                                               | 8                                                      | (141,180)            | (101,960)                 | (243,140)            |
| Total comprehensive income (loss) for the three months ended March 31, 2017                                                                  | -                                               | -                   | -                 | -                     | -                       | (448,301)               | (141,188)                                               | 8                                                      | (589,481)            | (113,549)                 | (703,030)            |
| BALANCE AT MARCH 31, 2017                                                                                                                    | <u>515,729</u>                                  | <u>\$ 5,157,285</u> | <u>\$ 453,761</u> | <u>\$ 1,085,124</u>   | <u>\$ 36,849</u>        | <u>\$ 3,733,887</u>     | <u>\$ (344,184)</u>                                     | <u>\$ 31</u>                                           | <u>\$ 10,122,753</u> | <u>\$ 2,179,625</u>       | <u>\$ 12,302,378</u> |
| BALANCE AT JANUARY 1, 2018                                                                                                                   | 665,729                                         | \$ 6,657,285        | \$ 856,768        | \$ 1,085,124          | \$ 202,973              | \$ 2,789,804            | \$ (246,224)                                            | \$ -                                                   | \$ 11,345,730        | \$ 1,935,541              | \$ 13,281,271        |
| The difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during disposal or acquisition | -                                               | -                   | 3,714             | -                     | -                       | -                       | -                                                       | -                                                      | 3,714                | (3,714)                   | -                    |
| Changes in non-controlling interests                                                                                                         | -                                               | -                   | -                 | -                     | -                       | -                       | -                                                       | -                                                      | -                    | 6,000                     | 6,000                |
| Net loss for the three months ended March 31, 2018                                                                                           | -                                               | -                   | -                 | -                     | -                       | (338,894)               | -                                                       | -                                                      | (338,894)            | (51,358)                  | (390,252)            |
| Other comprehensive income for the three months ended March 31, 2018, net of income tax                                                      | -                                               | -                   | -                 | -                     | -                       | -                       | 47,308                                                  | -                                                      | 47,308               | 33,762                    | 81,070               |
| Total comprehensive income (loss) for the three months ended March 31, 2018                                                                  | -                                               | -                   | -                 | -                     | -                       | (338,894)               | 47,308                                                  | -                                                      | (291,586)            | (17,596)                  | (309,182)            |
| BALANCE AT MARCH 31, 2018                                                                                                                    | <u>665,729</u>                                  | <u>\$ 6,657,285</u> | <u>\$ 860,482</u> | <u>\$ 1,085,124</u>   | <u>\$ 202,973</u>       | <u>\$ 2,450,910</u>     | <u>\$ (198,916)</u>                                     | <u>\$ -</u>                                            | <u>\$ 11,057,858</u> | <u>\$ 1,920,231</u>       | <u>\$ 12,978,089</u> |

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

# CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|                                                                                                        | <b>Three Months Ended March 31</b> |                  |
|--------------------------------------------------------------------------------------------------------|------------------------------------|------------------|
|                                                                                                        | <b>2018</b>                        | <b>2017</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                            |                                    |                  |
| Loss before income tax                                                                                 | \$ (387,965)                       | \$ (551,213)     |
| Adjustments for:                                                                                       |                                    |                  |
| Depreciation expenses                                                                                  | 271,193                            | 193,221          |
| Amortization expenses                                                                                  | 12,380                             | 6,320            |
| Finance costs                                                                                          | 63,451                             | 10,106           |
| Reversal of deferred revenue                                                                           | (2,920)                            | -                |
| Reversal of provisions                                                                                 | -                                  | (70)             |
| Interest income                                                                                        | (2,871)                            | (8,609)          |
| (Reversal of) write-down of inventories                                                                | (169,209)                          | 53,007           |
| Net loss on fair value change of financial assets and liabilities at fair value through profit or loss | (1,963)                            | (36,051)         |
| Net gain on disposal of financial assets designated as at FVTPL                                        | (589)                              | -                |
| Net (gain) loss on foreign currency exchange                                                           | (22,743)                           | 308,871          |
| Changes in operating assets and liabilities:                                                           |                                    |                  |
| Notes receivable                                                                                       | 252,042                            | -                |
| Notes receivable - related parties                                                                     | 4,565                              | -                |
| Accounts receivable                                                                                    | (75,597)                           | (210,592)        |
| Accounts receivable - related parties                                                                  | (266)                              | -                |
| Other receivables                                                                                      | 10,041                             | 72,460           |
| Other receivables - related parties                                                                    | (19)                               | -                |
| Inventories                                                                                            | (150,816)                          | (147,020)        |
| Prepayments                                                                                            | (179,387)                          | 55,906           |
| Other current assets                                                                                   | (138,065)                          | (105,837)        |
| Contract liabilities                                                                                   | (8,829)                            | -                |
| Accounts payable                                                                                       | (298,318)                          | (263,297)        |
| Notes payable                                                                                          | (85,761)                           | -                |
| Provisions                                                                                             | -                                  | (1,577)          |
| Other payables                                                                                         | (61,365)                           | (65,332)         |
| Other payables - related parties                                                                       | (938)                              | 199              |
| Other current liabilities                                                                              | <u>(17,702)</u>                    | <u>15,812</u>    |
| Cash used in operations                                                                                | (991,651)                          | (673,696)        |
| Interest paid                                                                                          | (52,940)                           | (10,417)         |
| Income tax paid                                                                                        | <u>(467)</u>                       | <u>(127)</u>     |
| Net cash used in operating activities                                                                  | <u>(1,045,058)</u>                 | <u>(684,240)</u> |

(Continued)

# CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|                                                                                               | <b>Three Months Ended March 31</b> |                            |
|-----------------------------------------------------------------------------------------------|------------------------------------|----------------------------|
|                                                                                               | <b>2018</b>                        | <b>2017</b>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                   |                                    |                            |
| Purchases of financial assets designated as at FVTPL                                          | \$ (355,496)                       | \$ (1,123,785)             |
| Proceeds from sale of financial assets designated as at FVTPL                                 | 356,090                            | 1,287,353                  |
| Increase in long-term prepayments                                                             | (609,778)                          | -                          |
| Proceeds from sale of financial assets at amortized cost                                      | 77,360                             | -                          |
| Net cash inflow on acquisitions of subsidiaries                                               | -                                  | 5,343                      |
| Payments for property, plant and equipment                                                    | (829,539)                          | (979,851)                  |
| Payments for intangible assets                                                                | (3,676)                            | (757)                      |
| Decrease in other financial assets                                                            | -                                  | 96,440                     |
| (Increase) decrease in other non-current assets                                               | (192)                              | 512                        |
| Increase in prepayments for equipment                                                         | (764,031)                          | (116,130)                  |
| Interest received                                                                             | 8,470                              | 12,950                     |
| Decrease (increase) in refundable deposits                                                    | 3,374                              | (9,873)                    |
| Government grants received                                                                    | <u>224,822</u>                     | <u>-</u>                   |
| Net cash used in investing activities                                                         | <u>(1,892,596)</u>                 | <u>(827,798)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                   |                                    |                            |
| Proceeds from in short-term bills payable                                                     | (100,000)                          | 500,000                    |
| Repayments of short-term bank loans                                                           | (2,189,289)                        | (5,047,574)                |
| Proceeds from short-term bank loans                                                           | 4,033,190                          | 4,260,274                  |
| Proceeds from long-term bank loans                                                            | 1,093,890                          | 1,193,654                  |
| Proceeds from (refunds of) guarantee deposits received                                        | 2                                  | (1)                        |
| Changes in non-controlling interests                                                          | <u>6,000</u>                       | <u>-</u>                   |
| Net cash generated from financing activities                                                  | <u>2,843,793</u>                   | <u>906,353</u>             |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br/>OF CASH HELD IN FOREIGN CURRENCIES</b> | <u>(1,486)</u>                     | <u>2,981</u>               |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                              | <b>(95,347)</b>                    | <b>(602,704)</b>           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br/>PERIOD</b>                           | <u><b>4,497,296</b></u>            | <u><b>4,341,520</b></u>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                     | <u><b>\$ 4,401,949</b></u>         | <u><b>\$ 3,738,816</b></u> |

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

(Concluded)

# **CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. GENERAL INFORMATION**

Chi Mei Materials Technology Corporation (CMMT) was incorporated in the Republic of China (ROC) on May 17, 2005. CMMT and its subsidiaries (collectively referred to as the Corporation) specialize in manufacturing optoelectronic materials and components (polarizing film). CMMT's main business activities include the manufacture and sale of polarizing films. On October 24, 2011, CMMT's shares were listed on the Taiwan Stock Exchange (TWSE).

Since September 2017, CMMT's common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol "US16935L1098" in the form of global depositary shares.

The consolidated financial statements are presented in CMMT's functional currency, the New Taiwan dollar.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by management of CMMT on May 4, 2018.

### **3. APPLICATION OF NEW, AMENDMENTS AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation's accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

On the basis of the facts and circumstances that existed as at January 1, 2018, the Corporation has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at January 1, 2018.

| Financial Assets                                             | Measurement Category  |                | Carrying Amount |              | Remark |
|--------------------------------------------------------------|-----------------------|----------------|-----------------|--------------|--------|
|                                                              | IAS 39                | IFRS 9         | IAS 39          | IFRS 9       |        |
| Cash and cash equivalents                                    | Loans and receivables | Amortized cost | \$ 4,497,296    | \$ 4,497,296 | (a)    |
| Notes receivable                                             | Loans and receivables | Amortized cost | 484,392         | 484,392      | (a)    |
| Notes receivable - related parties                           | Loans and receivables | Amortized cost | 4,565           | 4,565        | (a)    |
| Accounts receivable                                          | Loans and receivables | Amortized cost | 3,062,933       | 3,062,933    | (a)    |
| Pledged deposits                                             | Loans and receivables | Amortized cost | 265,739         | 265,739      | (a)    |
| Time deposits with original maturities of more than 3 months | Loans and receivables | Amortized cost | 7,800           | 7,800        | (a)    |

| Financial Assets                                          | IAS 39<br>Carrying<br>Amount as of<br>January 1,<br>2018 | Reclassifi-<br>cations | Remea-<br>surements | IFRS 9<br>Carrying<br>Amount as of<br>January 1,<br>2018 | Retained<br>Earnings<br>Effect on<br>January 1,<br>2018 | Other<br>Equity<br>Effect on<br>January 1,<br>2018 | Remark |
|-----------------------------------------------------------|----------------------------------------------------------|------------------------|---------------------|----------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------|--------|
| Amortized cost                                            | \$ -                                                     | \$ 8,322,725           | \$ -                | \$ 8,322,725                                             | \$ -                                                    | \$ -                                               | -      |
| Add: Reclassification from loans and receivables (IAS 39) | <u>8,322,725</u>                                         | <u>(8,322,725)</u>     | <u>-</u>            | <u>-</u>                                                 | <u>-</u>                                                | <u>-</u>                                           | (a)    |
|                                                           | <u>\$ 8,322,725</u>                                      | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ 8,322,725</u>                                      | <u>\$ -</u>                                             | <u>\$ -</u>                                        |        |

a) Cash and cash equivalents, notes receivable, accounts receivables (including related parties), pledged deposits and time deposits with original maturities of more than 3 months that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

## 2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Corporation regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

For the sale with a right of return, the Corporation recognizes a refund liability (other liability) and a right to recover a product (other asset) when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

### Impact on assets, liabilities and equity for current period

|                             | As Originally<br>Stated | Adjustments<br>Arising from<br>Initial<br>Application | Restated         |
|-----------------------------|-------------------------|-------------------------------------------------------|------------------|
| Provisions - current        | \$ 9,564                | \$ (9,564)                                            | \$ -             |
| Other current liabilities   | -                       | 9,564                                                 | 9,564            |
| Advance receipts            | 9,479                   | (9,479)                                               | -                |
| Contract liabilities        | <u>-</u>                | <u>9,479</u>                                          | <u>9,479</u>     |
| Total effect on liabilities | <u>\$ 19,043</u>        | <u>\$ -</u>                                           | <u>\$ 19,043</u> |

### 3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as a deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Corporation assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. When the amendments become effective in 2018, the amendments shall be applied retrospectively.

### 4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which the Corporation recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Corporation shall determine the date of the transaction for each payment or receipt of advance consideration.

The Corporation applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

### c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2015-2017 Cycle                                                                             | January 1, 2019                                      |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation”                                                    | January 1, 2019 (Note 2)                             |
| 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 IASB                             |
| IFRS 16 “Leases”                                                                                                         | January 1, 2019 (Note 3)                             |
| IFRS 17 “Insurance Contracts”                                                                                            | January 1, 2021                                      |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”                                                         | January 1, 2019 (Note 4)                             |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”                                              | January 1, 2019                                      |
| IFRIC 23 “Uncertainty Over Income Tax Treatments”                                                                        | January 1, 2019                                      |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Corporation sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Corporation’s share of the gain or loss is eliminated. Also, when the Corporation loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Corporation’s share of the gain or loss is eliminated.

2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation as lessor.

When IFRS 16 becomes effective, the Corporation may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

### 3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Corporation expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Corporation shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

### 4) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Corporation borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

See Note 12 and Table 6 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Corporation becomes a party to the contractual provisions of the instruments.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i. Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i) Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such financial assets. Fair value is determined in the manner described in Note 32.

ii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivable at amortized cost and others, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## 2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

### i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

### ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

### iii) Loans and receivables

Loans and receivables (including cash and cash equivalents, notes receivables and trade receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

## ii. Impairment of financial assets

## 2018

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since

initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 120 days, as well as observable changes in the national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

### iii. Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b) Financial liabilities

i. Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

ii. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss. Fair value is determined in the manner described in Note 32.

c) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

2) Revenue recognition

2018

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

Revenue from sale of goods

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

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

## 2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

### a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- i. The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. The amount of revenue can be measured reliably;
- iv. It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

### b) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

### c) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

## 3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence and is recognized in profit or loss.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the same critical accounting judgments and key sources of estimation uncertainty of the consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about the risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs for the impairment calculation and based on the Corporation's past history at the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

|                                                              | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017   |
|--------------------------------------------------------------|---------------------|----------------------|---------------------|
| Cash on hand                                                 | \$ 487              | \$ 586               | \$ 539              |
| Checking accounts and demand deposits                        | 4,128,936           | 4,182,130            | 2,398,848           |
| Cash equivalent                                              |                     |                      |                     |
| Time deposits with original maturities of less than 3 months | <u>272,526</u>      | <u>314,580</u>       | <u>1,339,429</u>    |
|                                                              | <u>\$ 4,401,949</u> | <u>\$ 4,497,296</u>  | <u>\$ 3,738,816</u> |

The market rate intervals of cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

|               | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|---------------|-------------------|----------------------|-------------------|
| Bank deposits | 0.001%-1.89%      | 0.001%-1.89%         | 0.001%-2.005%     |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                          | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|----------------------------------------------------------|-------------------|----------------------|-------------------|
| <u>Financial assets at FVTPL - current</u>               |                   |                      |                   |
| Financial assets mandatorily classified as at FVTPL      |                   |                      |                   |
| Derivative financial assets (not under hedge accounting) |                   |                      |                   |
| Foreign exchange forward contracts (Note)                | <u>\$ 1,614</u>   | <u>\$ -</u>          | <u>\$ -</u>       |
| Financial assets held for trading                        |                   |                      |                   |
| Derivative financial assets (not under hedge accounting) |                   |                      |                   |
| Foreign exchange forward contracts (Note)                | <u>\$ -</u>       | <u>\$ -</u>          | <u>\$ 12,211</u>  |

(Continued)

|                                                          | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|----------------------------------------------------------|---------------------------|------------------------------|---------------------------|
| Financial liabilities held for trading                   |                           |                              |                           |
| Derivative financial assets (not under hedge accounting) |                           |                              |                           |
| Foreign exchange forward contracts (Note)                | \$ _____ -                | \$ <u>349</u>                | \$ _____ -<br>(Concluded) |

Note: At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                          | <b>Currency</b> | <b>Maturity Date</b> | <b>Notional Amount<br/>(In Thousands)</b> |
|--------------------------|-----------------|----------------------|-------------------------------------------|
| <u>March 31, 2018</u>    |                 |                      |                                           |
| Sell                     | USD/JPY         | 2018.4.9-2018.5.8    | USD 20,000 /JPY 2,131,120                 |
| Sell                     | USD/RMB         | 2018.5.21            | USD 5,595 /RMB 35,237                     |
| <u>December 31, 2017</u> |                 |                      |                                           |
| Sell                     | USD/JPY         | 2018.1.9             | USD 10,000 /JPY 1,125,100                 |
| <u>March 31, 2017</u>    |                 |                      |                                           |
| Sell                     | USD/JPY         | 2017.4.7-2017.5.9    | USD 34,000 /JPY 3,846,040                 |

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

|                                                                  | <b>March 31,<br/>2018</b> |
|------------------------------------------------------------------|---------------------------|
| <u>Current</u>                                                   |                           |
| Pledged deposits (a) (Note 33)                                   | \$ 180,779                |
| Time deposits with original maturities of more than 3 months (b) | <u>15,400</u>             |
|                                                                  | <u>\$ 196,179</u>         |

- The market rate interval of pledged time deposits was 0.2%-1.76% as of March 31, 2018.
- The market rate of time deposits (investments with original maturities of more than three months) was 1.04% as of March 31, 2018. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 16 for information relating to their reclassification and comparative information for 2017.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                      | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|----------------------|-------------------|----------------------|-------------------|
| <u>Current</u>       |                   |                      |                   |
| Domestic investments |                   |                      |                   |
| Mutual funds         | \$ _____ -        | \$ _____ -           | \$ <u>12,038</u>  |

## 10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

|                                             | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017   |
|---------------------------------------------|---------------------|----------------------|---------------------|
| <u>Notes receivable</u>                     |                     |                      |                     |
| Notes receivable - operating                | \$ <u>232,350</u>   | \$ <u>484,392</u>    | \$ _____ -          |
| <u>Notes receivable- related parties</u>    |                     |                      |                     |
| Notes receivable - operating                | \$ _____ -          | \$ <u>4,565</u>      | \$ _____ -          |
| <u>Accounts receivable</u>                  |                     |                      |                     |
| Accounts receivable - operating             | \$ 3,130,298        | \$ 3,062,933         | \$ 3,091,619        |
| Less: Allowance for impairment loss         | _____ -             | _____ -              | _____ -             |
|                                             | \$ <u>3,130,298</u> | \$ <u>3,062,933</u>  | \$ <u>3,091,619</u> |
| <u>Accounts receivable- related parties</u> |                     |                      |                     |
| Accounts receivable - operating             | \$ 266              | \$ -                 | \$ -                |
| Less: Allowance for impairment loss         | _____ -             | _____ -              | _____ -             |
|                                             | \$ <u>266</u>       | \$ _____ -           | \$ _____ -          |
| Other receivables                           | \$ 163,192          | \$ 178,875           | \$ 47,910           |
| Less: Allowance for impairment loss         | <u>(18,215)</u>     | <u>(18,215)</u>      | <u>(18,215)</u>     |
|                                             | \$ <u>144,977</u>   | \$ <u>160,660</u>    | \$ <u>29,695</u>    |

For the three months ended March 31, 2018

The average credit period of sales of goods was 90 to 120 days. No interest was charged on trade receivables.

The Corporation 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 Corporation's major customers is obtained from other publicly available financial information or the Corporation's own trading records. The Corporation'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 annually.

The Corporation 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 Corporation'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 Corporation's customer base.

The following table details the loss allowance of trade receivables based on the Corporation's provision matrix.

March 31, 2018

|                                | Not Past Due        | Less than<br>61 Days | 61 to 90 Days | 91 to 120<br>Days | Over 120<br>Days | Total               |
|--------------------------------|---------------------|----------------------|---------------|-------------------|------------------|---------------------|
| Gross carrying amount          | \$ 3,105,173        | \$ 25,391            | \$ -          | \$ -              | \$ -             | \$ 3,130,564        |
| Loss allowance (lifetime ECLs) | -                   | -                    | -             | -                 | -                | -                   |
| Amortized cost                 | <u>\$ 3,105,173</u> | <u>\$ 25,391</u>     | <u>\$ -</u>   | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ 3,130,564</u> |

The movements of the loss allowance of trade receivables were as follows:

|                                                          | March 31,<br>2018 |
|----------------------------------------------------------|-------------------|
| Balance at January 1, 2018 per IAS 39                    | \$ -              |
| Adjustment on initial application of IFRS 9              | <u>-</u>          |
| Balance at January 1, 2018 and March 31, 2018 per IFRS 9 | <u>\$ -</u>       |

Refer to Note 32 for details of the factoring agreements for trade receivables.

For the three months ended March 31, 2017

a. Notes receivables

There are no notes receivable of the Corporation which are past due, and after an assessment of the uncertainty of the collectability of receivables, there is no need to make a provision for doubtful debts.

b. Accounts receivable

The Corporation applied the same credit policy in 2018 and 2017. The Corporation recognized an allowance for impairment loss of 100% against all receivables over 120 days past due because historical experience was that receivables that are past due beyond 120 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 60 days and 120 days past due based on the estimated irrecoverable amounts determined by reference to past default experience with the respective counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

|                    | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|--------------------|------------------------------|---------------------------|
| Not past due       | \$ 3,551,890                 | \$ 3,091,619              |
| Less than 61 days  | -                            | -                         |
| 61-90 days         | -                            | -                         |
| 91-120 days        | -                            | -                         |
| More than 120 days | <u>-</u>                     | <u>-</u>                  |
|                    | <u>\$ 3,551,890</u>          | <u>\$ 3,091,619</u>       |

The above aging schedule was based on the past due days from the end of the credit term.

The movements of the allowance for doubtful accounts receivable were as follow:

|                                                                | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>   |
|----------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|----------------|
| Balance at January 1, 2017                                     | \$ 1,523                                            | \$ -                                                | \$ 1,523       |
| Less: Amount written off during the period<br>as uncollectible | <u>(1,523)</u>                                      | <u>-</u>                                            | <u>(1,523)</u> |
| Balance at March 31, 2017                                      | <u>\$ -</u>                                         | <u>\$ -</u>                                         | <u>\$ -</u>    |

b. Other receivables

The movements of the allowance for doubtful other receivables were as follows:

|                                                     | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>     |
|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|------------------|
| Balance at January 1 and March 31, 2017 and<br>2018 | <u>\$ 18,215</u>                                    | <u>\$ -</u>                                         | <u>\$ 18,215</u> |

## 11. INVENTORIES

|                  | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|------------------|---------------------------|------------------------------|---------------------------|
| Commodities      | \$ 6,682                  | \$ 11,408                    | \$ -                      |
| Finished goods   | 480,322                   | 429,139                      | 433,342                   |
| Work in progress | 785,134                   | 633,761                      | 368,301                   |
| Raw materials    | <u>1,317,441</u>          | <u>1,208,402</u>             | <u>1,364,977</u>          |
|                  | <u>\$ 2,589,579</u>       | <u>\$ 2,282,710</u>          | <u>\$ 2,166,620</u>       |

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

|                     | <b>For the Three Months Ended<br/>March 31</b> |                     |
|---------------------|------------------------------------------------|---------------------|
|                     | <b>2018</b>                                    | <b>2017</b>         |
| Cost of inventories | <u>\$ 2,996,012</u>                            | <u>\$ 2,911,321</u> |

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

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

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

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

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

Remarks:

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

expected. The Corporation sold all of its shares in KK to ZH at JPY47,000 thousand on December 25, 2017. Refer to Note 28 and 29.

- 3) XJHM was incorporated in October 2017. ZH held a 100% interest in XJHM. KSCMMT acquired the 100% interest of XJHM from ZH on March 12, 2018, so as to expand its production line and capacity.
- 4) CTI disposed of a portion of its shareholding in CMVT for NT\$6,000 thousand in January 2018, reducing its continuing interest from 13% to 11%.

b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Proportion of Ownership and Voting Rights Held<br>by Non-controlling Interests |                      |                   |
|--------------------|--------------------------------------------------------------------------------|----------------------|-------------------|
|                    | March 31,<br>2018                                                              | December 31,<br>2017 | March 31,<br>2017 |
| KSCMMT             | 51%                                                                            | 51%                  | 51%               |

See Table 6 following the Notes to Consolidated Financial Statements for information on the place of incorporation and principal place of business.

| Name of Subsidiary | Loss Allocated to<br>Non-controlling Interests |                    | Accumulated Non-controlling Interests |                     |                     |
|--------------------|------------------------------------------------|--------------------|---------------------------------------|---------------------|---------------------|
|                    | Three Months Ended March 31                    |                    | March 31,                             | December 31,        | March 31,           |
|                    | 2018                                           | 2017               | 2018                                  | 2017                | 2017                |
| KSCMMT             | \$ (47,491)                                    | \$ (10,028)        | \$ 1,886,453                          | \$ 1,900,183        | \$ 2,134,450        |
| Others             | <u>(3,867)</u>                                 | <u>(1,561)</u>     | <u>33,778</u>                         | <u>35,358</u>       | <u>45,175</u>       |
|                    | <u>\$ (51,358)</u>                             | <u>\$ (11,589)</u> | <u>\$ 1,920,231</u>                   | <u>\$ 1,935,541</u> | <u>\$ 2,179,625</u> |

Summarized financial information in respect of each of the Corporation's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

KSCMMT:

|                                     | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017   |
|-------------------------------------|---------------------|----------------------|---------------------|
| Current assets                      | \$ 3,285,413        | \$ 3,073,618         | \$ 2,367,361        |
| Non-current assets                  | 8,527,552           | 6,526,196            | 5,717,633           |
| Current liabilities                 | (7,903,716)         | (5,873,870)          | (3,899,794)         |
| Non-current liabilities             | <u>(210,321)</u>    | <u>(96)</u>          | <u>(4)</u>          |
| Equity                              | <u>\$ 3,698,928</u> | <u>\$ 3,725,848</u>  | <u>\$ 4,185,196</u> |
| Equity attributable to:             |                     |                      |                     |
| Owners of CMMT                      | \$ 1,812,475        | \$ 1,825,665         | \$ 2,050,746        |
| Non-controlling interests of KSCMMT | <u>1,886,453</u>    | <u>1,900,183</u>     | <u>2,134,450</u>    |
|                                     | <u>\$ 3,698,928</u> | <u>\$ 3,725,848</u>  | <u>\$ 4,185,196</u> |

|                                                    | <b>Three Months Ended March 31</b> |              |
|----------------------------------------------------|------------------------------------|--------------|
|                                                    | <b>2018</b>                        | <b>2017</b>  |
| Revenue                                            | \$ 638,122                         | \$ 64,520    |
| Net loss for the period                            | \$ (93,120)                        | \$ (19,662)  |
| Other comprehensive income (loss) for the period   | 66,200                             | (199,814)    |
| Total comprehensive loss for the period            | \$ (26,920)                        | \$ (219,476) |
| Loss attributable to:                              |                                    |              |
| Owners of CMMT                                     | \$ (45,629)                        | \$ (9,634)   |
| Non-controlling interests of KSCMMT                | (47,491)                           | (10,028)     |
|                                                    | \$ (93,120)                        | \$ (19,662)  |
| Total comprehensive income (loss) attributable to: |                                    |              |
| Owners of CMMT                                     | \$ 32,438                          | \$ (97,909)  |
| Non-controlling interests of KSCMMT                | 33,762                             | (101,905)    |
|                                                    | \$ 66,200                          | \$ (199,814) |
| Net cash inflows (outflows) from:                  |                                    |              |
| Operating activities                               | \$ 459,483                         | \$ (377,333) |
| Investing activities                               | (2,213,420)                        | (788,191)    |
| Financing activities                               | 2,028,764                          | 895,970      |
| Net cash inflows (outflows)                        | \$ 274,827                         | \$ (269,554) |

### 13. PROPERTY, PLANT AND EQUIPMENT

|                                                 | Land         | Buildings    | Machinery and Equipment | Office Equipment | Factory Equipment | Miscellaneous Equipment | Construction in Progress | Total         |
|-------------------------------------------------|--------------|--------------|-------------------------|------------------|-------------------|-------------------------|--------------------------|---------------|
| <b>Cost</b>                                     |              |              |                         |                  |                   |                         |                          |               |
| Balance at January 1, 2017                      | \$ 1,428,543 | \$ 3,623,114 | \$ 5,369,247            | \$ 64,869        | \$ 3,555,780      | \$ 235,103              | \$ 4,179,165             | \$ 18,455,821 |
| Additions                                       | -            | 898          | 9,754                   | -                | 12,583            | 3,823                   | 1,654,818                | 1,681,876     |
| Disposals                                       | -            | -            | -                       | (58)             | -                 | (222)                   | -                        | (280)         |
| Effect of foreign currency exchange differences | -            | (15,181)     | (33,871)                | (988)            | (3,946)           | (2,003)                 | (234,104)                | (290,093)     |
| Reclassification                                | -            | 3,784,112    | 7,745                   | -                | 4,369             | 1,708                   | (3,788,482)              | 9,452         |
| Balance at March 31, 2017                       | \$ 1,428,543 | \$ 7,392,943 | \$ 5,352,875            | \$ 63,823        | \$ 3,568,786      | \$ 238,409              | \$ 1,811,397             | \$ 19,856,776 |
| <b>Accumulated depreciation</b>                 |              |              |                         |                  |                   |                         |                          |               |
| Balance at January 1, 2017                      | \$ -         | \$ 1,153,251 | \$ 4,200,351            | \$ 40,858        | \$ 2,957,587      | \$ 186,792              | \$ 277,163               | \$ 8,816,002  |
| Disposals                                       | -            | -            | -                       | (58)             | -                 | (222)                   | -                        | (280)         |
| Depreciation expense                            | -            | 36,702       | 101,634                 | 2,240            | 47,462            | 5,183                   | -                        | 193,221       |
| Effect of foreign currency exchange differences | -            | (6,337)      | (13,324)                | (612)            | (3,410)           | (1,836)                 | (12,606)                 | (38,125)      |
| Balance at March 31, 2017                       | \$ -         | \$ 1,183,616 | \$ 4,288,661            | \$ 42,428        | \$ 3,001,639      | \$ 189,917              | \$ 264,557               | \$ 8,970,818  |
| Carrying amounts at March 31, 2017              | \$ 1,428,543 | \$ 6,209,327 | \$ 1,064,214            | \$ 21,395        | \$ 567,147        | \$ 48,492               | \$ 1,546,840             | \$ 10,885,958 |

(Continued)

|                                                 | Land                | Buildings           | Machinery and Equipment | Office Equipment | Factory Equipment   | Miscellaneous Equipment | Construction in Progress | Total                |
|-------------------------------------------------|---------------------|---------------------|-------------------------|------------------|---------------------|-------------------------|--------------------------|----------------------|
| <b>Cost</b>                                     |                     |                     |                         |                  |                     |                         |                          |                      |
| Balance at January 1, 2018                      | \$ 1,428,543        | \$ 7,263,777        | \$ 6,799,675            | \$ 70,449        | \$ 4,638,174        | \$ 337,523              | \$ 409,419               | \$ 20,947,560        |
| Additions                                       | -                   | 92,515              | 20,195                  | -                | 9,613               | 3,415                   | 325,861                  | 451,599              |
| Disposals                                       | -                   | -                   | (2,093)                 | (8,544)          | -                   | -                       | -                        | (10,637)             |
| Effect of foreign currency exchange differences | -                   | 71,999              | 38,217                  | 456              | 20,325              | 2,473                   | 8,523                    | 141,993              |
| Reclassification                                | -                   | (3,191)             | 177,889                 | 35               | (5,548)             | 1,098                   | (177,226)                | (6,943)              |
| Balance at March 31, 2018                       | <u>\$ 1,428,543</u> | <u>\$ 7,425,100</u> | <u>\$ 7,033,883</u>     | <u>\$ 62,396</u> | <u>\$ 4,662,564</u> | <u>\$ 344,509</u>       | <u>\$ 566,577</u>        | <u>\$ 21,523,572</u> |
| <b>Accumulated depreciation</b>                 |                     |                     |                         |                  |                     |                         |                          |                      |
| Balance at January 1, 2018                      | \$ -                | \$ 1,434,198        | \$ 4,594,076            | \$ 49,403        | \$ 3,212,644        | \$ 213,503              | \$ 274,041               | \$ 9,777,865         |
| Disposals                                       | -                   | -                   | (2,093)                 | (8,544)          | -                   | -                       | -                        | (10,637)             |
| Depreciation expense                            | -                   | 83,808              | 101,289                 | 2,298            | 73,914              | 9,884                   | -                        | 271,193              |
| Effect of foreign currency exchange differences | -                   | 5,574               | 8,055                   | 282              | 2,889               | 880                     | 4,923                    | 22,603               |
| Reclassification                                | -                   | -                   | -                       | 35               | 923                 | -                       | -                        | 958                  |
| Balance at March 31, 2017                       | <u>\$ -</u>         | <u>\$ 1,523,580</u> | <u>\$ 4,701,327</u>     | <u>\$ 43,474</u> | <u>\$ 3,290,370</u> | <u>\$ 224,267</u>       | <u>\$ 278,964</u>        | <u>\$ 10,061,982</u> |
| Carrying amounts at March 31, 2017              | <u>\$ 1,428,543</u> | <u>\$ 5,901,520</u> | <u>\$ 2,332,556</u>     | <u>\$ 18,922</u> | <u>\$ 1,372,194</u> | <u>\$ 120,242</u>       | <u>\$ 287,613</u>        | <u>\$ 11,461,590</u> |

(Concluded)

According to the Contract for State - Owned Construction Land Use Right Assignment between NBCMMT and Ningbo Municipal Bureau of National Land and Resource, the Corporation's construction of industrial land should meet the requirements of production, tax revenue and import and export quotas. However, due to the changing business strategy for the production system in 2016, the Corporation might not meet all of the requirements. The Corporation assessed that the carrying amount of the construction in progress related to buildings and factories would not be recoverable, which led to the recognition of an impairment loss of NT\$291,090 in operating costs in the consolidated statements of comprehensive income for the year ended December 31, 2016.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

|                         |             |
|-------------------------|-------------|
| Buildings               |             |
| Main buildings          | 20-25 years |
| Engineering systems     | 25 years    |
| Others                  | 15 years    |
| Machinery and equipment | 5-10 years  |
| Office equipment        | 3-5 years   |
| Factory equipment       | 8-10 years  |
| Miscellaneous equipment | 2-10 years  |

#### 14. GOODWILL

|                                                                                                | <b>Three Months Ended March 31</b> |                 |
|------------------------------------------------------------------------------------------------|------------------------------------|-----------------|
|                                                                                                | <b>2018</b>                        | <b>2017</b>     |
| Balance at January 1                                                                           | \$ 8,056                           | \$ 8,056        |
| Additional amounts recognized from business combinations occurring during the period (Note 28) | <u>-</u>                           | <u>873</u>      |
| Balance at March 31                                                                            | <u>\$ 8,056</u>                    | <u>\$ 8,929</u> |

## 15. OTHER INTANGIBLE ASSETS

|                                                    | Computer<br>Software | Core<br>Technology | Licenses and<br>Franchises | Total             |
|----------------------------------------------------|----------------------|--------------------|----------------------------|-------------------|
| <u>Cost</u>                                        |                      |                    |                            |                   |
| Balance at January 1, 2017                         | \$ 69,525            | \$ 47,000          | \$ 9,200                   | \$ 125,725        |
| Additions                                          | 757                  | -                  | -                          | 757               |
| Effect of foreign currency<br>exchange differences | <u>(159)</u>         | <u>-</u>           | <u>-</u>                   | <u>(159)</u>      |
| Balance at March 31, 2017                          | <u>\$ 70,123</u>     | <u>\$ 47,000</u>   | <u>\$ 9,200</u>            | <u>\$ 126,323</u> |
| <u>Accumulated amortization</u>                    |                      |                    |                            |                   |
| Balance at January 1, 2017                         | \$ 49,031            | \$ 21,542          | \$ 4,600                   | \$ 75,173         |
| Amortization expense                               | 3,377                | 1,175              | 460                        | 5,012             |
| Effect of foreign currency<br>exchange differences | <u>(30)</u>          | <u>-</u>           | <u>-</u>                   | <u>(30)</u>       |
| Balance at March 31, 2017                          | <u>\$ 59,341</u>     | <u>\$ 22,717</u>   | <u>\$ 5,060</u>            | <u>\$ 80,155</u>  |
| Carrying amounts at March 31,<br>2017              | <u>\$ 17,745</u>     | <u>\$ 24,283</u>   | <u>\$ 4,140</u>            | <u>\$ 46,168</u>  |
| <u>Cost</u>                                        |                      |                    |                            |                   |
| Balance at January 1, 2018                         | \$ 113,901           | \$ 47,000          | \$ 9,200                   | \$ 170,101        |
| Additions                                          | 3,676                | -                  | -                          | 3,676             |
| Effect of foreign currency<br>exchange differences | <u>829</u>           | <u>-</u>           | <u>-</u>                   | <u>829</u>        |
| Balance at March 31, 2018                          | <u>\$ 118,406</u>    | <u>\$ 47,000</u>   | <u>\$ 9,200</u>            | <u>\$ 174,606</u> |
| <u>Accumulated amortization</u>                    |                      |                    |                            |                   |
| Balance at January 1, 2018                         | \$ 49,843            | \$ 26,242          | \$ 6,440                   | \$ 82,525         |
| Amortization expense                               | 9,289                | 1,175              | 460                        | 10,924            |
| Effect of foreign currency<br>exchange differences | <u>209</u>           | <u>-</u>           | <u>-</u>                   | <u>209</u>        |
| Balance at March 31, 2018                          | <u>\$ 64,058</u>     | <u>\$ 27,417</u>   | <u>\$ 6,900</u>            | <u>\$ 93,658</u>  |
| Carrying amounts at March 31,<br>2018              | <u>\$ 59,065</u>     | <u>\$ 19,583</u>   | <u>\$ 2,300</u>            | <u>\$ 80,948</u>  |

(Concluded)

Other intangible assets were depreciated on a straight-line basis over their estimated useful lives as follows:

|                         |           |
|-------------------------|-----------|
| Computer software       | 1-3 years |
| Core technology         | 10 years  |
| Licenses and franchises | 5 years   |

## 16. OTHER ASSETS

|                                        | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017 |
|----------------------------------------|---------------------|----------------------|-------------------|
| <u>Current</u>                         |                     |                      |                   |
| Offset against business tax payable    | \$ 670,490          | \$ 540,741           | \$ 383,332        |
| Prepayments                            | 246,847             | 67,460               | 226,916           |
| Temporary payments                     | 111,052             | 102,720              | 117,624           |
| Pledged time deposits (a) (Note 34)    | -                   | 265,739              | 37,592            |
| Prepayments for leases                 | 5,869               | 5,765                | 5,565             |
| Payments on behalf of others           | 20                  | 36                   | 4,965             |
| Other financial assets (b)             | <u>-</u>            | <u>7,800</u>         | <u>4,800</u>      |
|                                        | <u>\$ 1,034,278</u> | <u>\$ 990,261</u>    | <u>\$ 780,794</u> |
| <u>Non-current</u>                     |                     |                      |                   |
| Prepayments for purchases of equipment | \$ 933,794          | \$ 165,706           | \$ 260,280        |
| Long-term prepayments                  | 811,590             | 201,812              | 3,476             |
| Prepayments for leases                 | 260,452             | 257,297              | 252,566           |
| Refundable deposits                    | 10,828              | 14,202               | 14,351            |
| Others                                 | <u>2,698</u>        | <u>2,506</u>         | <u>-</u>          |
|                                        | <u>\$ 2,019,362</u> | <u>\$ 641,523</u>    | <u>\$ 530,673</u> |

- a. The market rate intervals of pledged time deposits were 1.10%-1.76% and 1.21%-1.65% as of December 31, 2017 and March 31, 2017, respectively.
- b. The market rate and market rate intervals of time deposits (investments with original maturities of more than three months) were 1.04% and 0.91%-1.04% as of December 31, 2017 and March 31 2017, respectively.

## 17. LOANS

- a. Short-term bank loans

|                             | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017   |
|-----------------------------|---------------------|----------------------|---------------------|
| <u>Unsecured loans</u>      |                     |                      |                     |
| Line of credit loans (1)    | \$ 5,589,733        | \$ 3,813,259         | \$ 2,798,790        |
| <u>secured loans</u>        |                     |                      |                     |
| Transferred receivables (2) | <u>139,410</u>      | <u>-</u>             | <u>-</u>            |
|                             | <u>\$ 5,729,143</u> | <u>\$ 3,813,259</u>  | <u>\$ 2,798,790</u> |

- 1) The range of weighted average effective interest rates on bank loans was 0.66%-5.25%, 0.68%-5.25% and 0.60%-4.35% per annum as of March 31, 2018, December 31 2017 and March 31, 2017, respectively.

2) Transferred receivables were secured by a charge over a certain amount of the Corporation's trade receivables (see Note 10). The weighted average effective interest rate was 5.8%.

b. Short-term bills payable

|                  | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|------------------|---------------------------|------------------------------|---------------------------|
| Commercial paper | <u>\$ -</u>               | <u>\$ 100,000</u>            | <u>\$ 500,000</u>         |

The interest rate and range of interest rates on commercial paper was 0.88% and 0.89%-0.90% per annum as of December 31, 2017 and March 31, 2017, respectively.

c. Long-term bank loans

|                                                                                                                                                                                                           | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|---------------------------|
| <u>Unsecured loans</u>                                                                                                                                                                                    |                           |                              |                           |
| Syndicated loan: Lead bank - Bank of Taiwan                                                                                                                                                               |                           |                              |                           |
| Repayable quarterly on interest from September 23, 2016; repayable from March 23, 2019 to September 23, 2021; annual floating interest rate at 3.69%-4.17% and 3.20%-3.81% in 2018 and 2017, respectively | \$ 3,623,379              | \$ 2,639,833                 | \$ 2,538,835              |
| Less: Reclassified as current portion due to breaching certain terms of a long-term loan arrangement                                                                                                      | <u>3,623,379</u>          | <u>2,639,833</u>             | <u>2,538,835</u>          |
| Long-term bank loans                                                                                                                                                                                      | <u>\$ -</u>               | <u>\$ -</u>                  | <u>\$ -</u>               |

In September 2016, KSCMMT signed the syndicated loan agreement with Bank of Taiwan and other banks for the purpose of enriching long-term operating capital. CMMT, JJ and Zhejiang Renyuan Import & Export Co., Ltd. jointly stood surety for KSCMMT's credit line.

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

- 1) Current ratio: At least 100%;
- 2) Debt ratio: No more than 100%;
- 3) Interest coverage ratio: At least 3; and
- 4) Tangible net worth: At least NT\$10,000,000 thousand.

During 2017 and 2016, the Corporation breached certain terms of its long-term loan agreement, which are primarily related to the interest coverage ratio of the Corporation. As of December 31, 2017, the carrying amount of the bank loan was NT\$2,639,833 thousand. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker. Since the lender has not agreed to waive its right to demand immediate payment at the end of the reporting period, the loan was classified as a current liability at March 31, 2018 and 2017 and December 31, 2017. Up to the date of the approval of issuance of the consolidated financial

statements, the negotiations were still in progress. Management is confident that its negotiations with the lender will ultimately succeed. Should the lender call for immediate repayment of the loan, management believes that adequate alternative sources of financing are available to ensure that there is no threat to the continuing operations of the Corporation.

## 18. ACCOUNTS PAYABLE

|                         | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|-------------------------|-------------------|----------------------|-------------------|
| <u>Notes payable</u>    |                   |                      |                   |
| Operating               | \$ 46,702         | \$ 132,463           | \$ -              |
| <u>Accounts payable</u> |                   |                      |                   |
| Operating               | \$ 1,707,183      | \$ 1,974,351         | \$ 1,682,872      |

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER LIABILITIES

|                                             | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017   |
|---------------------------------------------|---------------------|----------------------|---------------------|
| <u>Current</u>                              |                     |                      |                     |
| Other payables                              |                     |                      |                     |
| Payables for purchases of equipment         | \$ 557,137          | \$ 933,040           | \$ 181,955          |
| Payables for salaries or bonuses            | 177,200             | 261,173              | 146,892             |
| Payables for annual leave                   | 38,822              | 38,395               | 38,377              |
| Payables for interests                      | 22,859              | 13,297               | 4,720               |
| Accrued taxes payable                       | 20,635              | 16,505               | 13,273              |
| Payables for insurance premiums             | 16,598              | 16,642               | 18,590              |
| Payable for professional service fees       | 5,253               | 3,389                | 1,132               |
| Payables for purchases of land or buildings | 2,825               | 3,831                | 823,587             |
| Others                                      | 212,171             | 194,475              | 212,190             |
|                                             | <u>\$ 1,053,320</u> | <u>\$ 1,480,747</u>  | <u>\$ 1,440,716</u> |
| Deferred revenue                            |                     |                      |                     |
| Arising from government grants (Note 27)    | <u>\$ 11,679</u>    | <u>\$ -</u>          | <u>\$ -</u>         |
| Other liabilities                           |                     |                      |                     |
| Advance receipts                            | \$ -                | \$ 9,479             | \$ 2,189            |
| Others                                      | 7,387               | 15,525               | 45,893              |
|                                             | <u>\$ 7,387</u>     | <u>\$ 25,004</u>     | <u>\$ 48,082</u>    |
| <u>Non-current</u>                          |                     |                      |                     |
| Deferred revenue                            |                     |                      |                     |
| Arising from government grants (Note 27)    | <u>\$ 210,223</u>   | <u>\$ -</u>          | <u>\$ -</u>         |

## 20. PROVISIONS

|                              | March 31,<br>2018     | December 31,<br>2017 | March 31,<br>2017     |
|------------------------------|-----------------------|----------------------|-----------------------|
| <u>Current</u>               |                       |                      |                       |
| Customer returns and rebates | \$ <u>          -</u> | \$ <u>  9,564  </u>  | \$ <u>          -</u> |

The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons why estimated product returns and rebates may occur in the period. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

## 21. RETIREMENT BENEFIT PLANS

CMMT and CMVT of the Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. NBCMMT, KSCMMT, KSCMS and XJHM make monthly contributions at certain percentages of the basic salaries of their employees.

The Corporation recognized expenses of NT\$9,904 thousand and NT\$11,069 thousand in the consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017, respectively.

## 22. EQUITY

### a. Share capital

#### 1) Common shares

|                                                       | March 31,<br>2018   | December 31,<br>2017 | March 31,<br>2017   |
|-------------------------------------------------------|---------------------|----------------------|---------------------|
| Numbers of shares authorized (in thousands)           | <u>700,000</u>      | <u>700,000</u>       | <u>600,000</u>      |
| Shares authorized                                     | <u>\$ 7,000,000</u> | <u>\$ 7,000,000</u>  | <u>\$ 6,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>665,729</u>      | <u>665,729</u>       | <u>515,729</u>      |
| Shares issued                                         | <u>\$ 6,657,285</u> | <u>\$ 6,657,285</u>  | <u>\$ 5,157,285</u> |

In the extraordinary general meeting of shareholders on February 8, 2017, the shareholders proposed that the amount of authorized shares be changed to NT\$7,000,000 thousand.

Fully paid common shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

On December 20, 2016, CMMT's board of directors approved to increase its capital by an 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 USD64.9 million. As of December 31, 2017, the outstanding 1,691.5 thousand units of GDRs represented 67,660 thousand common shares.

The agreement clause of a GDR purchase stipulates the following:

1) 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 Regulation S Deposit Agreement (the “Deposit Agreement”) entered into by CMMT, the Depository, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

2) 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 Depository 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.

3) 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 other distributions as the holders of common shares of CMMT. If CMMT distributes share dividends or makes other share distributions in the future, the Depository will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDRs proportionately, increase the number of the common shares to be represented by each 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.

b. Capital surplus

|                                                                                                     | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|-----------------------------------------------------------------------------------------------------|---------------------------|------------------------------|---------------------------|
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1) |                           |                              |                           |
| Share premiums                                                                                      | \$ 803,494                | \$ 803,494                   | \$ 400,487                |
| Purchase price and carrying amount arising from acquisition or disposal of subsidiaries             | 6,776                     | 3,062                        | 3,062                     |
| <u>May be used to offset a deficit (2)</u>                                                          |                           |                              |                           |
| Changes in equity of subsidiaries                                                                   | <u>50,212</u>             | <u>50,212</u>                | <u>50,212</u>             |
|                                                                                                     | <u>\$ 860,482</u>         | <u>\$ 856,768</u>            | <u>\$ 453,761</u>         |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation’s capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of a change in an ownership interest in a subsidiary resulting from equity transactions other than an actual disposal or acquisition.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses, and then 10% shall be set aside as a legal reserve. When such legal reserve amounts to the total paid-in capital, CMMT shall not be subject to this requirement. CMMT may then appropriate or reverse a certain amount as a special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the board of directors and approved in the shareholders' meeting.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 24f, "Employee's compensation and remuneration of directors and supervisors".

CMMT's Articles also stipulate a dividend policy whereby, after taking into account CMMT's current and future development plan, investment environment, fund requirements, domestic and international competition, and the interests of shareholders, CMMT is to set aside no less than 20% of the distributable earnings as shareholders' dividends and bonuses. However, in the case where accumulated distributable earnings is less than 50% of paid-in capital, CMMT may choose not to distribute dividends. Dividends to common shareholders may be distributed by way of a combination of cash dividends and share dividends provided that the cash dividends shall not be less than 10% of the total dividends.

An appropriation of earnings to legal reserve shall be made until the legal reserve equals CMMT's paid-in capital. The legal reserve may be used to offset deficits. If CMMT has no deficit and the legal reserve has exceeded 25% of CMMT's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by CMMT.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by CMMT.

The appropriation of earnings for 2017 and 2016 were proposed by the board of directors on May 4, 2018 and approved in the shareholders' meetings on June 21, 2017, respectively, and were as follows:

|                 | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share (NT\$)</b> |             |
|-----------------|----------------------------------|-------------|-----------------------------------|-------------|
|                 | <b>Years Ended December 31</b>   |             | <b>Years Ended December 31</b>    |             |
|                 | <b>2017</b>                      | <b>2016</b> | <b>2017</b>                       | <b>2016</b> |
| Legal reserve   | \$ -                             | \$ -        |                                   |             |
| Special reserve | 43,251                           | 166,124     |                                   |             |
| Cash dividends  | -                                | -           | \$ -                              | \$ -        |

The appropriation of earnings for 2017 were proposed in CMMT's shareholders' meetings on June 22, 2018.

d. Other equity items

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

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

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

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

e. Non-controlling interests

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

**23. REVENUE**

|                                       | <b>For the Three Months Ended March 31</b> |                     |
|---------------------------------------|--------------------------------------------|---------------------|
|                                       | <b>2018</b>                                | <b>2017</b>         |
| Revenue from contracts with customers |                                            |                     |
| Revenue from the sale of goods        | \$ 2,473,819                               | \$ 2,273,330        |
| Other                                 | <u>408,203</u>                             | <u>461,459</u>      |
|                                       | <u>\$ 2,882,022</u>                        | <u>\$ 2,734,789</u> |

a. Contract information

1) Revenue from sale of goods

The Corporation sells polarizing film to downstream industry participants for LCD purposes.

2) Other

The Corporation engages in the sale of chemicals and goods and engages in the import and export business. All other goods are sold at respective fixed amounts as agreed upon in contracts.

b. Contract balances

|                                                    | <b>March 31,<br/>2018</b> |
|----------------------------------------------------|---------------------------|
| Notes receivable and accounts receivable (Note 10) | <u>\$ 3,362,914</u>       |
| Contract liabilities                               |                           |
| Sale of goods                                      | <u>\$ 650</u>             |

The changes in contract assets and contract liabilities balances primarily resulted from the timing differences between the Corporation's performance and the respective customers' payments.

## 24. NET PROFIT (LOSS)

a. Other income

|                             | <b>Three Months Ended March 31</b> |                  |
|-----------------------------|------------------------------------|------------------|
|                             | <b>2018</b>                        | <b>2017</b>      |
| Government grants (Note 27) | \$ 2,920                           | \$ -             |
| Interest income             | 2,871                              | 8,609            |
| Rental income               | 210                                | 204              |
| Other                       | <u>1,209</u>                       | <u>5,887</u>     |
|                             | <u>\$ 7,210</u>                    | <u>\$ 14,700</u> |

b. Other gains and losses

|                                                       | <b>Three Months Ended March 31</b> |                     |
|-------------------------------------------------------|------------------------------------|---------------------|
|                                                       | <b>2018</b>                        | <b>2017</b>         |
| Net profit from financial assets mandatorily at FVTPL | \$ 18,201                          | \$ 24,093           |
| Net gain on financial assets designated as at FVTPL   | 589                                | 4,018               |
| Net foreign exchange loss                             | 366                                | (211,645)           |
| Others                                                | <u>(11)</u>                        | <u>(7)</u>          |
|                                                       | <u>\$ 19,145</u>                   | <u>\$ (183,541)</u> |

c. Finance costs

|                        | <b>Three Months Ended March 31</b> |                    |
|------------------------|------------------------------------|--------------------|
|                        | <b>2018</b>                        | <b>2017</b>        |
| Interest on bank loans | \$ (62,969)                        | \$ (9,569)         |
| Other finance costs    | <u>(482)</u>                       | <u>(537)</u>       |
|                        | <u>\$ (63,451)</u>                 | <u>\$ (10,106)</u> |

Information about capitalized interest was as follows:

|                      | <b>Three Months Ended March 31</b> |             |
|----------------------|------------------------------------|-------------|
|                      | <b>2018</b>                        | <b>2017</b> |
| Capitalized interest | \$ 1,284                           | \$ 5,832    |
| Capitalization rate  | 2%-2.69%                           | 3.20%       |

d. Depreciation and amortization

|                                         | <b>Three Months Ended March 31</b> |                   |
|-----------------------------------------|------------------------------------|-------------------|
|                                         | <b>2018</b>                        | <b>2017</b>       |
| Property, plant and equipment           | \$ 271,193                         | \$ 193,592        |
| Intangible assets                       | 10,924                             | 5,016             |
| Prepayments for leases                  | <u>1,456</u>                       | <u>1,308</u>      |
|                                         | <u>\$ 283,573</u>                  | <u>\$ 199,541</u> |
| An analysis of deprecation by function  |                                    |                   |
| Operating costs                         | \$ 251,197                         | \$ 174,876        |
| Operating expenses                      | <u>19,996</u>                      | <u>18,345</u>     |
|                                         | <u>\$ 271,193</u>                  | <u>\$ 193,221</u> |
| An analysis of amortization by function |                                    |                   |
| Operating costs                         | \$ 1,915                           | \$ 1,357          |
| General and administrative expenses     | 8,830                              | 3,315             |
| Research and development expenses       | <u>1,635</u>                       | <u>1,648</u>      |
|                                         | <u>\$ 12,380</u>                   | <u>\$ 6,320</u>   |

e. Employee benefits expense

|                                                      | <b>Three Months Ended March 31</b> |                   |
|------------------------------------------------------|------------------------------------|-------------------|
|                                                      | <b>2018</b>                        | <b>2017</b>       |
| Short-term employee benefits                         | \$ 383,705                         | \$ 419,636        |
| Post-employment benefits (Note 21)                   |                                    |                   |
| Defined contribution plans                           | <u>9,904</u>                       | <u>11,069</u>     |
| Total employee benefits expense                      | <u>\$ 393,609</u>                  | <u>\$ 430,705</u> |
| An analysis of employee benefits expense by function |                                    |                   |
| Operating costs                                      | \$ 309,960                         | \$ 360,217        |
| Operating expenses                                   | <u>83,649</u>                      | <u>70,488</u>     |
|                                                      | <u>\$ 393,609</u>                  | <u>\$ 430,705</u> |

f. Employee's compensation and remuneration of directors and supervisors

CMMT accrued employees' compensation and remuneration of directors and supervisors at the rates of no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. CMMT incurred a deficit for the three months ended March 31, 2018 and 2017; thus, neither employees' compensation nor remuneration of directors and supervisors was estimated.

Information on the employees' compensation and remuneration of directors and supervisors resolved by CMMT's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

|                         | <b>Three Months Ended March 31</b> |                     |
|-------------------------|------------------------------------|---------------------|
|                         | <b>2018</b>                        | <b>2017</b>         |
| Foreign exchange gains  | \$ 327,231                         | \$ 205,387          |
| Foreign exchange losses | <u>(326,865)</u>                   | <u>(417,032)</u>    |
|                         | <u>\$ 366</u>                      | <u>\$ (211,645)</u> |

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax (expense) benefit recognized in profit or loss

|                                                           | <b>Three Months Ended March 31</b> |                  |
|-----------------------------------------------------------|------------------------------------|------------------|
|                                                           | <b>2018</b>                        | <b>2017</b>      |
| <u>Current tax</u>                                        |                                    |                  |
| In respect of the current period                          | \$ (2,337)                         | \$ (2,539)       |
| Adjustments for prior period                              | -                                  | (127)            |
| <u>Deferred tax</u>                                       |                                    |                  |
| In respect of the current period                          | -                                  | 93,989           |
| Others                                                    | <u>50</u>                          | <u>-</u>         |
| Income tax (expense) benefit recognized in profit or loss | <u>\$ (2,287)</u>                  | <u>\$ 91,323</u> |

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

As of March 31, 2017, profit attributable to the following expansion project was exempted from income tax due to the Corporation funding the production of polarizing film used for flat panel displays:

| <u>Expansion of Construction Project</u>                           | <u>Tax-exemption Period</u>  |
|--------------------------------------------------------------------|------------------------------|
| First time income tax exemption for construction project expansion | May 31, 2012 to May 30, 2017 |

b. Income tax assessments

CMMT's income tax returns through 2015 and CMVT and CTT's income tax returns through 2016 have been assessed by the tax authorities.

## 26. LOSS PER SHARE

Unit: NT\$ Per Share

|                                  | <b>Three Months Ended March 31</b> |                  |
|----------------------------------|------------------------------------|------------------|
|                                  | <b>2018</b>                        | <b>2017</b>      |
| Basic and diluted loss per share | \$ <u>(0.51)</u>                   | \$ <u>(0.87)</u> |

The loss and weighted average number of common shares outstanding in the computation of loss per share were as follows:

### Net Loss for the Year

|                                                                  | <b>Three Months Ended March 31</b> |                     |
|------------------------------------------------------------------|------------------------------------|---------------------|
|                                                                  | <b>2018</b>                        | <b>2017</b>         |
| Loss used in the computation of basic and diluted loss per share | \$ <u>(338,894)</u>                | \$ <u>(448,301)</u> |

Weighted average number of common shares outstanding (in thousands of shares):

|                                                                                             | <b>Three Months Ended March 31</b> |                |
|---------------------------------------------------------------------------------------------|------------------------------------|----------------|
|                                                                                             | <b>2018</b>                        | <b>2017</b>    |
| Weighted average number of common shares in computation of basic and diluted loss per share | <u>665,729</u>                     | <u>515,729</u> |

## 27. GOVERNMENT GRANTS

In August 2016, the Corporation applied for a government grant of NT\$16,524 thousand towards its project related to an industrial upgrading innovation platform from the Institute for Information Industry. The period of the grant is from January 1, 2016 to June 30, 2017. The Corporation complied with the conditions attached to such government grant, and therefore, NT\$5,758 thousand was recognized as other income as of and for the year ended December 31, 2017.

KSCMMT obtained a government grant for the establishment of the Kunshan development zone in January 2018. The government grant is the Kunshan government encouraging enterprises to set up factories in the Kunshan development zone. After the establishment of a factory is completed, grants are granted. It is an asset-related government grant, which is listed in deferred revenue, and NT\$2,920 thousand was recognized as other income for the three months ended March 31, 2018 according to the service life of the factory.

## 28. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

|    | <b>Principal Activity</b> | <b>Date of Acquisition</b> | <b>Proportion of<br/>Voting Equity<br/>Interests<br/>Acquired (%)</b> | <b>Consideration<br/>Transferred</b> |
|----|---------------------------|----------------------------|-----------------------------------------------------------------------|--------------------------------------|
| KK | Trade                     | March 3, 2017              | 67.14                                                                 | <u>\$ 12,878</u>                     |

KK was acquired in order to reduce the cost of purchasing materials.

### b. Considerations transferred

|      |                  |
|------|------------------|
|      | <b>KK</b>        |
| Cash | <u>\$ 12,878</u> |

### c. Assets acquired and liabilities assumed at the dates of acquisition

|                                            |                  |
|--------------------------------------------|------------------|
|                                            | <b>KK</b>        |
| Current assets                             |                  |
| Cash                                       | \$ 18,221        |
| Other receivables and other current assets | 207              |
| Non-current assets                         |                  |
| Other assets                               | 137              |
| Current liabilities                        |                  |
| Other payables and other liabilities       | <u>(684)</u>     |
|                                            | <u>\$ 17,881</u> |

### d. Goodwill recognized on acquisitions

|                                                      |                 |
|------------------------------------------------------|-----------------|
|                                                      | <b>KK</b>       |
| Consideration transferred                            | \$ 12,878       |
| Plus: Non-controlling interests (32.86% in KK)       | 5,876           |
| Less: Fair value of identifiable net assets acquired | <u>(17,881)</u> |
| Goodwill recognized on acquisitions                  | <u>\$ 873</u>   |

The goodwill recognized in the acquisition of KK mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of the expected synergies, revenue growth, future market development and the assembled workforce of KK. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not deductible for tax purposes.

e. Net cash inflow on acquisitions of subsidiaries

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

f. Impact of acquisitions on the results of the Corporation

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

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

Had these business combinations been in effect for the entire annual reporting period, rather than just from March 3 to December 25, 2017, the Corporation's revenue from continuing operations would have been NT\$11,440,772 thousand and the loss from continuing operations would have been NT\$1,550,026 thousand. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that actually would have been achieved had the acquisition been completed on January 1, 2017 and sustained until December 31, 2017 nor is it intended to be a projection of future results.

## 29. DISPOSALS OF SUBSIDIARIES - WITH LOSS OF CONTROL

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

a. Consideration received from disposals

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

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

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

c. Gain on disposals of subsidiaries

|                                                                 | <b>KK</b>       |
|-----------------------------------------------------------------|-----------------|
| Consideration received                                          | \$ 12,436       |
| Net assets disposed of                                          | (15,591)        |
| Non-controlling interests                                       | 4,839           |
| Reclassification of other comprehensive income in respect of KK | <u>(381)</u>    |
| Gain on disposals                                               | <u>\$ 1,303</u> |

d. Net cash inflows on disposals of subsidiaries

|                                                     | <b>KK</b>          |
|-----------------------------------------------------|--------------------|
| Proceeds of disposals                               | \$ 12,436          |
| Remaining proceeds receivable                       | <u>(12,436)</u>    |
| Consideration received in cash and cash equivalents | -                  |
| Less: Cash and cash equivalent balances disposed of | <u>(13,861)</u>    |
|                                                     | <u>\$ (13,861)</u> |

### 30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In January 2018, the Corporation disposed of 2% of its interest in CMVT, reducing its continuing interest from 81.33% to 79.33%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

|                                                                                                                               | <b>CMVT</b>     |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Cash consideration received                                                                                                   | \$ 6,000        |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests | <u>(2,286)</u>  |
| Differences recognized from equity transactions                                                                               | <u>\$ 3,714</u> |
| <u>Line items adjusted for equity transactions</u>                                                                            |                 |
| Capital surplus - purchase price and carrying amount differences from acquisitions or disposals of subsidiaries               | <u>\$ 3,714</u> |

### 31. CAPITAL MANAGEMENT

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

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests) and equity attributable to the owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

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

## 32. FINANCIAL INSTRUMENTS

### a. Fair value of 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.

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

#### 1) Fair value hierarchy

##### March 31, 2018

|                             | <u>Level 1</u><br><u>NT\$</u> | <u>Level 2</u><br><u>NT\$</u> | <u>Level 3</u><br><u>NT\$</u> | <u>Total</u><br><u>NT\$</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------|
| Financial assets at FVTPL   |                               |                               |                               |                             |
| Derivative financial assets | \$ <u>-</u>                   | \$ <u>1,614</u>               | \$ <u>-</u>                   | \$ <u>1,614</u>             |

##### December 31, 2017

|                                  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>  |
|----------------------------------|----------------|----------------|----------------|---------------|
| Financial liabilities at FVTPL   |                |                |                |               |
| Derivative financial liabilities | \$ <u>-</u>    | \$ <u>349</u>  | \$ <u>-</u>    | \$ <u>349</u> |

##### March 31, 2017

|                                     | <u>Level 1</u><br><u>NT\$</u> | <u>Level 2</u><br><u>NT\$</u> | <u>Level 3</u><br><u>NT\$</u> | <u>Total</u><br><u>NT\$</u> |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------|
| Available-for-sale financial assets |                               |                               |                               |                             |
| Mutual funds                        | \$ <u>12,038</u>              | \$ <u>-</u>                   | \$ <u>-</u>                   | \$ <u>12,038</u>            |
| Financial assets at FVTPL           |                               |                               |                               |                             |
| Derivative financial assets         | \$ <u>-</u>                   | \$ <u>12,211</u>              | \$ <u>-</u>                   | \$ <u>12,211</u>            |

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

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

c. Categories of financial instruments

|                                                       | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|-------------------------------------------------------|-------------------|----------------------|-------------------|
| <u>Financial assets</u>                               |                   |                      |                   |
| Financial assets at amortized cost (1)                | \$ 7,961,042      | \$ -                 | \$ -              |
| Financial assets at fair value through profit or loss |                   |                      |                   |
| Mandatorily at FVTPL                                  | 1,614             | -                    | -                 |
| Held for trading (2)                                  | -                 | -                    | 12,211            |
| Loans and receivables (3)                             | -                 | 8,322,725            | 6,872,827         |
| Available-for-sale financial assets                   | -                 | -                    | 12,038            |
| <u>Financial liabilities</u>                          |                   |                      |                   |
| Financial liabilities at FVTPL                        |                   |                      |                   |
| Held for trading                                      | -                 | 349                  | -                 |
| Financial liabilities at amortized cost (4)           | 11,689,228        | 9,610,074            | 8,530,759         |

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), pledged deposits and time deposits with original maturities of more than 3 months.
- 2) The balances include the carrying amount of held-for-trading financial assets measured at cost.
- 3) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties) and other financial assets.
- 4) The balances include financial liabilities measured at amortized cost, which comprise short-term and long-term loans (including current portions), short-term bills payable, notes payable, accounts payable and other payables.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity, accounts receivable, accounts payable and loans. The Corporation's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.

## 1) Market risk

The Corporation's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into a derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including foreign exchange forward contracts to hedge the exchange rate risk arising on U.S. dollar-denominated assets generated by sales and Japanese yen-denominated liabilities generated by the import of raw materials from Japan.

There has been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

### a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 64% of the Corporation's sales were denominated in currencies other than the functional currency, whilst almost 87% of costs were denominated in the Corporation's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

### Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and Japanese yen.

The following table details the Corporation's sensitivity to a 0.5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign currency exchange rates is 0.5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts, and adjusts their translation at the end of the reporting period for a 0.5% change in foreign currency rates. A positive number below indicates a decrease in the pre-tax profit associated with the New Taiwan dollar strengthening 0.5% against the relevant currency. For a 0.5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

|                | <b>USD Impact</b>                  |                                    | <b>JPY Impact</b>                  |                                    |
|----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                | <b>Three Months Ended March 31</b> | <b>Three Months Ended March 31</b> | <b>Three Months Ended March 31</b> | <b>Three Months Ended March 31</b> |
|                | <b>2018</b>                        | <b>2017</b>                        | <b>2018</b>                        | <b>2017</b>                        |
| Profit or loss | \$(2,706) (i)                      | \$ 2,414(i)                        | \$(11,437)(ii)                     | \$(6,665 )(ii)                     |

i. This was mainly attributable to the exposure outstanding on USD-denominated receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY-denominated payables, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the Corporation borrowed funds at fixed interest rates. Hedging activities are evaluated regularly to align with interest rate views and a defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

|                               | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|-------------------------------|---------------------------|------------------------------|---------------------------|
| Fair value interest rate risk |                           |                              |                           |
| Financial assets              | \$ 470,319                | \$ 588,119                   | \$ 1,406,070              |
| Financial liabilities         | 4,983,077                 | 3,063,189                    | 2,798,790                 |
| Cash flow interest rate risk  |                           |                              |                           |
| Financial assets              | 3,759,506                 | 4,164,439                    | 2,146,201                 |
| Financial liabilities         | 4,369,445                 | 3,490,252                    | 2,538,835                 |

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 25-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the three months ended March 31, 2018 and 2017 would have decreased/increased by NT\$381 thousand and NT\$245 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to a failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The information that was evaluated by the Corporation about the credit ratings of the counterparties is supplied by independent rating agencies where available and, if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation'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 Corporation annually.

The Corporation's concentration of credit risk of 76%, 69% and 70% in total account receivables as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively, was related to the Corporation's five largest customers.

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation'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. However, the Corporation breached certain terms of its long-term loan agreement during 2017. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant bank. As of May 4, 2018, those negotiations had not concluded. Refer to Note 17 for details.

The Corporation relies on bank loans as a significant source of liquidity. As of March 31, 2018, December 31 2017 and March 31, 2017, the Corporation had available unutilized short-term bank loan facilities as set out in (c) below.

#### a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Corporation'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 Corporation can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

##### March 31, 2018

|                                    | <b>On Demand or<br/>Less than<br/>6 Months</b> | <b>6 Months to<br/>1 Year</b> | <b>1-5 Years</b> |
|------------------------------------|------------------------------------------------|-------------------------------|------------------|
| Non-interest bearing liabilities   | \$ 2,302,922                                   | \$ 1,400                      | \$ 9,525         |
| Variable interest rate liabilities | 727,478                                        | 3,641,967                     | -                |
| Fixed interest rate liabilities    | <u>4,929,790</u>                               | <u>53,287</u>                 | <u>-</u>         |
|                                    | <u>\$ 7,960,190</u>                            | <u>\$ 3,696,654</u>           | <u>\$ 9,525</u>  |

##### December 31, 2017

|                                    | <b>On Demand or<br/>Less than<br/>6 Months</b> | <b>6 Months to<br/>1 Year</b> | <b>1-5 Years</b> |
|------------------------------------|------------------------------------------------|-------------------------------|------------------|
| Non-interest bearing liabilities   | \$ 3,023,816                                   | \$ 10,344                     | \$ 9,525         |
| Variable interest rate liabilities | 704,978                                        | 2,785,274                     | -                |
| Fixed interest rate liabilities    | <u>2,654,080</u>                               | <u>408,760</u>                | <u>-</u>         |
|                                    | <u>\$ 6,382,874</u>                            | <u>\$ 3,204,378</u>           | <u>\$ 9,525</u>  |

March 31, 2017

|                                    | <b>On Demand or<br/>Less than<br/>6 Months</b> | <b>6 Months to<br/>1 Year</b> | <b>1-5 Years</b> |
|------------------------------------|------------------------------------------------|-------------------------------|------------------|
| Non-interest bearing liabilities   | \$ 2,676,696                                   | \$ 8,980                      | \$ 2,738         |
| Variable interest rate liabilities | -                                              | 2,538,835                     | -                |
| Fixed interest rate liabilities    | <u>3,259,568</u>                               | <u>39,222</u>                 | <u>-</u>         |
|                                    | <u>\$ 5,936,264</u>                            | <u>\$ 2,587,037</u>           | <u>\$ 2,738</u>  |

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Corporation's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

March 31, 2018

|                                    | <b>On Demand<br/>or Less than<br/>6 Months</b> | <b>6 Months to 1<br/>Year</b> | <b>1-3 Years</b> | <b>4-5 Years</b> | <b>5+ Years</b> |
|------------------------------------|------------------------------------------------|-------------------------------|------------------|------------------|-----------------|
| <u>Gross settled</u>               |                                                |                               |                  |                  |                 |
| Foreign exchange forward contracts |                                                |                               |                  |                  |                 |
| Inflows                            | \$ 747,461                                     | \$ -                          | \$ -             | \$ -             | \$ -            |
| Outflows                           | 745,847                                        | -                             | -                | -                | -               |

December 31, 2017

|                                    | <b>On Demand<br/>or Less than<br/>6 Months</b> | <b>6 Months to 1<br/>Year</b> | <b>1-3 Years</b> | <b>4-5 Years</b> | <b>5+ Years</b> |
|------------------------------------|------------------------------------------------|-------------------------------|------------------|------------------|-----------------|
| <u>Gross settled</u>               |                                                |                               |                  |                  |                 |
| Foreign exchange forward contracts |                                                |                               |                  |                  |                 |
| Inflows                            | \$ 297,251                                     | \$ -                          | \$ -             | \$ -             | \$ -            |
| Outflows                           | 297,600                                        | -                             | -                | -                | -               |

March 31, 2017

|                                    | <b>On Demand<br/>or Less than<br/>6 Months</b> | <b>6 Months to 1<br/>Year</b> | <b>1-3 Years</b> | <b>4-5 Years</b> | <b>5+ Years</b> |
|------------------------------------|------------------------------------------------|-------------------------------|------------------|------------------|-----------------|
| <u>Gross settled</u>               |                                                |                               |                  |                  |                 |
| Foreign exchange forward contracts |                                                |                               |                  |                  |                 |
| Inflows                            | \$ 1,043,431                                   | \$ -                          | \$ -             | \$ -             | \$ -            |
| Outflows                           | 1,031,220                                      | -                             | -                | -                | -               |

c) Financing facilities

|                                                                                 | March 31,<br>2018    | December 31,<br>2017 | March 31,<br>2017    |
|---------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Unsecured bank overdraft facility,<br>reviewed annually and payable at<br>call: |                      |                      |                      |
| Amount used                                                                     | \$ 11,240,449        | \$ 8,376,982         | \$ 7,406,575         |
| Amount unused                                                                   | <u>15,471,527</u>    | <u>18,116,771</u>    | <u>17,120,527</u>    |
|                                                                                 | <u>\$ 26,711,976</u> | <u>\$ 26,493,753</u> | <u>\$ 24,527,102</u> |

e. Transfers of financial assets

During the three months ended March 31, 2018, the Corporation discounted trade receivables with an aggregate carrying amount of \$232,350 thousand, to a bank for cash proceeds of \$230,113 thousand. According to the contract, if the trade receivables are not paid at maturity, the bank has the right to request the Corporation to pay the unsettled balance. As the Corporation has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see Note 17).

As of March 31, 2018, the carrying amount of the trade receivables that have been transferred but have not been derecognized was \$139,410 thousand, and the carrying amount of the related liability was \$139,410 thousand.

### 33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between CMMT and its subsidiaries, which are the related parties of CMMT, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and relationship

| Related Party Name                                       | Relationship to the Corporation                                    |
|----------------------------------------------------------|--------------------------------------------------------------------|
| Chi Mei Corporation                                      | Investors with significant influence over the Corporation (Note 1) |
| Tree Valley Foundation                                   | Affiliates                                                         |
| Zhejiang Hengjie Co., Ltd. ("ZH")                        | Affiliates                                                         |
| K Laser Technology Inc.                                  | Affiliates                                                         |
| Ki Kin Corporation ("KK")                                | Affiliates (Note 2)                                                |
| Zhejiang Jinhui Optoelectronic Material Co., Ltd. ("ZJ") | Affiliates                                                         |

Note 1: The chairman of Chi Mei Corporation, who was a corporate director of the Corporation, resigned on November 9, 2017. Since then, Chi Mei Corporation no longer has had a significant influence over the Corporation.

Note 2: KK was acquired on March 3, 2017 and was disposed of on December 25, 2017. For the details of the acquisition and disposal of KK, refer to Notes 28 and 29.

b. Receivables

| Line Item           | Related Party Category | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|---------------------|------------------------|-------------------|----------------------|-------------------|
| Notes receivable    | Affiliates             | <u>\$ -</u>       | <u>\$ 4,565</u>      | <u>\$ -</u>       |
| Accounts receivable | Affiliates             | <u>\$ 266</u>     | <u>\$ -</u>          | <u>\$ -</u>       |
| Other receivables   | Affiliates             | <u>\$ 12,441</u>  | <u>\$ 12,422</u>     | <u>\$ 5</u>       |

c. Other payables

| Related Party Category                                    | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|-----------------------------------------------------------|-------------------|----------------------|-------------------|
| Affiliates                                                | \$ 206            | \$ 794               | \$ 468            |
| Investors with significant influence over the Corporation | <u>-</u>          | <u>350</u>           | <u>-</u>          |
|                                                           | <u>\$ 206</u>     | <u>\$ 1,144</u>      | <u>\$ 468</u>     |

d. Operating expenses

| Related Party Category                                    | Three Months Ended March 31 |                 |
|-----------------------------------------------------------|-----------------------------|-----------------|
|                                                           | 2018                        | 2017            |
| Affiliates                                                | \$ 206                      | \$ 5,928        |
| Investors with significant influence over the Corporation | <u>-</u>                    | <u>422</u>      |
|                                                           | <u>\$ 206</u>               | <u>\$ 6,350</u> |

e. Rental income

| Related Party Category | Three Months Ended March 31 |              |
|------------------------|-----------------------------|--------------|
|                        | 2018                        | 2017         |
| Affiliates             | <u>\$ 14</u>                | <u>\$ 14</u> |

The rental terms of the contracts between the Corporation and other related parties are comparable to market transactions.

f. Other income

| Related Party Category | Three Months Ended March 31 |              |
|------------------------|-----------------------------|--------------|
|                        | 2018                        | 2017         |
| Affiliates             | <u>\$ -</u>                 | <u>\$ 34</u> |

g. Compensation of key management personnel

| Line Item                    | Three Months Ended March 31 |                 |
|------------------------------|-----------------------------|-----------------|
|                              | 2018                        | 2017            |
| Short-term employee benefits | \$ 4,763                    | \$ 7,734        |
| Post-employment benefits     | <u>59</u>                   | <u>120</u>      |
|                              | <u>\$ 4,822</u>             | <u>\$ 7,854</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariffs of imported raw materials' guarantees:

|                                                                                         | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|-----------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|
| Restricted assets - pledged deposits (classified as financial assets at amortized cost) | <u>\$ 180,779</u> | <u>\$ 265,739</u>    | <u>\$ 37,592</u>  |

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of March 31, 2016, December 31, 2016 and March 31, 2017 were as follows:

- a. As of March 31, 2018, December 31, 2017 and March 31, 2017, unused letters of credit for purchases of raw materials were as follows:

|     | March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|-----|-------------------|----------------------|-------------------|
| JPY | \$ 3,729,786      | \$ 4,460,264         | \$ 3,247,432      |
| RMB | 14,510            | -                    | 9,610             |
| EUR | 12                | 402                  | 1,860             |
| USD | 60,476            | 3,587                | 607               |

- b. As of March 31, 2018, December 31, 2017 and March 31, 2017, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT\$75,428 thousand, NT\$44,520 thousand and NT\$63,117 thousand, respectively.
- c. As of March 31, 2018, December 31, 2017 and March 31, 2017, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT\$519,163 thousand, NT\$910,917 thousand and NT\$1,389,563 thousand, respectively.
- d. The technology licensing agreement with Nitto Denko Corporation is for up to JPY15 billion and was signed by KSCMMT, Hangzhou Jinjiang Group, which is the strategic partner and major shareholder of KSCMMT, and Shenzhen Sheng Bo Optoelectronics Technology Co., Ltd., which is an investee of Hangzhou Jinjiang Group. KSCMMT will have the rights to three 2,500 mm production lines, of which the total value will be JPY7.5 billion. The total contract price is JPY15 billion. As of March 31, 2018 and December 31, 2017 KSCMMT's unpaid amount is JPY4.5 billion and JPY6.75 billion, respectively.

### 36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies of the entities in the Corporation and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2018

|                         | <b>Foreign<br/>Currencies<br/>(In Thousands)</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|-------------------------|--------------------------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> |                                                  |                      |                            |
| Monetary items          |                                                  |                      |                            |
| USD                     | \$ 163,384                                       | 29.105               | \$ 4,755,291               |
| JPY                     | 3,605,646                                        | 0.2739               | 987,586                    |
| RMB                     | 167                                              | 4.647                | 776                        |
| Non-monetary items      |                                                  |                      |                            |
| USD                     | 55                                               | 29.105               | 1,614                      |

Financial liabilities

|                |            |        |           |
|----------------|------------|--------|-----------|
| Monetary items |            |        |           |
| USD            | 161,980    | 29.105 | 4,714,428 |
| JPY            | 14,087,737 | 0.2739 | 3,858,631 |
| EUR            | 41         | 35.87  | 1,471     |
| RMB            | 600        | 4.647  | 2,788     |

December 31, 2017

|                         | <b>Foreign<br/>Currencies<br/>(In Thousands)</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|-------------------------|--------------------------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> |                                                  |                      |                            |
| Monetary items          |                                                  |                      |                            |
| USD                     | \$ 145,700                                       | 29.76                | \$ 4,336,032               |
| JPY                     | 4,061,391                                        | 0.2642               | 1,073,020                  |
| RMB                     | 738                                              | 4.565                | 3,369                      |

Financial liabilities

|                    |            |        |           |
|--------------------|------------|--------|-----------|
| Monetary items     |            |        |           |
| USD                | 121,873    | 29.76  | 3,626,940 |
| JPY                | 10,020,477 | 0.2642 | 2,647,410 |
| EUR                | 193        | 35.57  | 6,865     |
| RMB                | 187        | 4.565  | 854       |
| Non-monetary items |            |        |           |
| USD                | 10         | 29.76  | 349       |

March 31, 2017

|                              | <b>Foreign<br/>Currencies<br/>(In Thousands)</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|--------------------------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                                                  |                      |                            |
| Monetary items               |                                                  |                      |                            |
| USD                          | \$ 148,099                                       | 30.33                | \$ 4,491,843               |
| JPY                          | 2,124,362                                        | 0.2713               | 576,339                    |
| RMB                          | 13                                               | 4.407                | 57                         |
| Non-monetary items           |                                                  |                      |                            |
| USD                          | 403                                              | 30.33                | 12,211                     |
| <u>Financial liabilities</u> |                                                  |                      |                            |
| Monetary items               |                                                  |                      |                            |
| USD                          | 98,178                                           | 30.33                | 2,977,739                  |
| JPY                          | 10,884,153                                       | 0.2713               | 2,952,871                  |
| EUR                          | 484                                              | 32.43                | 15,696                     |
| RMB                          | 1,243                                            | 4.407                | 5,478                      |

For the three months ended March 31, 2018 and 2017, realized and unrealized net foreign exchange gain (loss) was NT\$366 thousand and NT\$(211,645) thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions.

### **37. SEPARATELY DISCLOSED ITEMS**

#### **a. Information about significant transactions and investees**

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): None.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 9) Trading in derivative instruments: Note 32

10) Intercompany relationships and significant intercompany transactions: Table 5

11) Information on investees: Table 6

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 8
  - a) The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the period.
  - b) The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the period.

### 38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenue and results

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

|                                                                       | <b>Segment Revenue</b>    |                     | <b>Segment Profit or Loss</b> |                     |
|-----------------------------------------------------------------------|---------------------------|---------------------|-------------------------------|---------------------|
|                                                                       | <b>Three Months Ended</b> |                     | <b>Three Months Ended</b>     |                     |
|                                                                       | <b>March 31</b>           |                     | <b>March 31</b>               |                     |
|                                                                       | <b>2018</b>               | <b>2017</b>         | <b>2018</b>                   | <b>2017</b>         |
| Taiwan-based operating entities                                       | \$ 862,936                | \$ 1,148,525        | \$ (164,729)                  | \$ (194,258)        |
| China-based operating entities                                        | 2,019,086                 | 1,586,264           | (186,140)                     | (177,895)           |
| Others                                                                | -                         | -                   | -                             | (113)               |
| Total from continuing operations                                      | <u>\$ 2,882,022</u>       | <u>\$ 2,734,789</u> | (350,869)                     | (372,266)           |
| Net foreign exchange gain (loss)                                      |                           |                     | 366                           | (211,645)           |
| Government grants                                                     |                           |                     | 2,920                         | -                   |
| Interest income                                                       |                           |                     | 2,871                         | 8,609               |
| Net gain on financial assets<br>designated as at FVTPL                |                           |                     | 589                           | 4,018               |
| Net gain on financial assets<br>mandatorily classified as at<br>FVTPL |                           |                     | 18,201                        | 24,093              |
| Finance costs                                                         |                           |                     | (63,451)                      | (10,106)            |
| Others                                                                |                           |                     | <u>1,408</u>                  | <u>6,084</u>        |
| Loss before income tax                                                |                           |                     | <u>\$ (387,965)</u>           | <u>\$ (551,213)</u> |

Segment profit represented the profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, rental revenue, interest income, gains or losses on disposals of property, plant and equipment, gains or losses on disposals of available-for-sale financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and the assessment of segment performance.

b. Segment assets

The Corporation does not regularly provide information on assets to the Corporation's chief operating decision maker.

TABLE 1

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account         | Related Parties | Highest Balance for the Period (Foreign Currencies in Thousands) | Ending Balance (Foreign Currencies in Thousands) | Actual Borrowing Amount (Foreign Currencies in Thousands) | Interest Rate | Nature of Financing  | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrower (Note 1) | Aggregate Financing Limit (Note 2) | Note |
|-----|--------|----------|-------------------------------------|-----------------|------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------|---------------|----------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|--------------------------------------------|------------------------------------|------|
|     |        |          |                                     |                 |                                                                  |                                                  |                                                           |               |                      |                              |                                  |                               | Item       | Value |                                            |                                    |      |
| 1   | KSCMMT | KSCMS    | Other receivables - related parties | Yes             | \$ 232,350                                                       | \$ 232,350                                       | \$ -                                                      | 4.35%         | Short term financing | \$ -                         | Operating capital                | \$ -                          | None       | \$ -  | \$ 1,479,571                               | \$ 2,219,357                       | -    |
| 2   | KSCMS  | XJHM     | Other receivables - related parties | Yes             | RMB 50,000                                                       | RMB 50,000                                       | RMB -                                                     | 4.35%         | Short term financing | -                            | Operating capital                | -                             | None       | -     | 101,596                                    | 152,395                            | -    |
|     |        |          |                                     |                 | RMB 2,324                                                        | RMB 2,324                                        | RMB 2,324                                                 |               |                      |                              |                                  |                               |            |       |                                            |                                    |      |
|     |        |          |                                     |                 | RMB 500                                                          | RMB 500                                          | RMB 500                                                   |               |                      |                              |                                  |                               |            |       |                                            |                                    |      |

Note 1: The total amount for leading to a company for funding shall not exceed 40% of the net worth of KSCMMT.

The total amount for leading to a company for funding shall not exceed 40% of the net worth of KSCMS.

Note 2: The financing company’s aggregate amount available for lending to borrowers should not exceed 60% of KSCMMT’s net asset value.

The financing company’s aggregate amount available for lending to borrowers should not exceed 60% of KSCMS’s net asset value.

TABLE 2

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee |              | Limit on<br>Endorsement/<br>Guarantee Given on<br>Behalf of Each Party<br>(Notes 2 and 3) | Maximum Amount<br>Endorsed/<br>Guaranteed During<br>the Period<br>(Foreign<br>Currencies in<br>Thousands) | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period<br>(Foreign<br>Currencies in<br>Thousands) | Actual<br>Borrowing<br>Amount<br>(Foreign<br>Currencies in<br>Thousands) | Amount<br>Endorsed/<br>Guaranteed by<br>Collaterals | Ratio of Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Notes 2 and 3) | Endorsement/<br>Guarantee Given by<br>Parent on Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee Given<br>by Subsidiaries on<br>Behalf of Parent | Endorsement/<br>Guarantee Given on<br>Behalf of Companies<br>in Mainland China |
|-----|--------------------|--------------------|--------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------|
|     |                    | Name               | Relationship |                                                                                           |                                                                                                           |                                                                                                                 |                                                                          |                                                     |                                                                                                             |                                                                 |                                                                           |                                                                           |                                                                                |
| 0   | CMMT               | KSCMMT             | Note 1       | \$ 5,528,928                                                                              | \$ 2,793,083<br>USD 60,760<br>RMB 220,500                                                                 | \$ 2,793,083<br>USD 60,760<br>RMB 220,500                                                                       | \$ 1,768,420<br>USD 60,760                                               | \$ -                                                | 25.26                                                                                                       | \$ 11,057,858                                                   | Yes                                                                       | No                                                                        | Yes                                                                            |
| 1   | KSCMMT             | KSCMS              | Subsidiary   | 2,219,357                                                                                 | 1,858,800<br>RMB 400,000                                                                                  | 1,858,800<br>RMB 400,000                                                                                        | 828,687<br>RMB 178,327                                                   | -                                                   | 50.25                                                                                                       | 3,698,928                                                       | Yes                                                                       | No                                                                        | Yes                                                                            |

Note 1: CMMT and the other shareholders mutually invested in the endorsee/guarantee based on their respective ownership percentages.

Note 2: According to the “Rules of Guarantees by CMMT”, the ceiling for the total guaranteed amount was CMMT’s net asset value, and the limit of the guaranteed amount for a single party was 50% of CMMT’s net asset value.

Note 3: According to the “Rules of Guarantees by KSCMMT”, the ceiling for the total guaranteed amount was KSCMMT’s net asset value, and the limit of the guaranteed amount for a single party was 60% of KSCMMT’s net asset value.

**TABLE 3**

**CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship                                             | Transaction Details |            |               |                       | Abnormal Transaction |               | Notes/Accounts<br>Receivable (Payable) |               | Note |
|-------|---------------|----------------------------------------------------------|---------------------|------------|---------------|-----------------------|----------------------|---------------|----------------------------------------|---------------|------|
|       |               |                                                          | Purchase/<br>Sale   | Amount     | % of<br>Total | Payment Terms         | Unit Price           | Payment Terms | Ending<br>Balance                      | % of<br>Total |      |
| CMMT  | NBCMMT        | 100% indirectly held<br>subsidiary of the<br>Corporation | Sale                | \$ 771,444 | 44            | Open account 120 days | -                    | -             | \$ 1,424,935                           | 58            | -    |

**TABLE 4**

**CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship                                       | Ending Balance | Turnover Rate | Overdue |               | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|--------------|---------------|----------------------------------------------------|----------------|---------------|---------|---------------|---------------------------------------|-------------------------------|
|              |               |                                                    |                |               | Amount  | Actions Taken |                                       |                               |
| CMMT         | NBCMMT        | 100% indirectly held subsidiary of the Corporation | \$ 1,424,935   | 2.07          | \$ -    | \$ -          | \$ 365,715                            | \$ -                          |
| NBCMMT       | KSCMMT        | Fellow subsidiary                                  | 141,103        | 0.59          | -       | -             | 46,475                                | -                             |

**TABLE 5**

**CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**

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

| No. | Investee Company | Counterparty | Relationship<br>(Note 1) | Transaction Details         |            |                           |                               |
|-----|------------------|--------------|--------------------------|-----------------------------|------------|---------------------------|-------------------------------|
|     |                  |              |                          | Financial Statement Account | Amount     | Payment Terms<br>(Note 2) | % of Total<br>Sales or Assets |
| 0   | CMMT             | NBCMMT       | 1                        | Sales                       | \$ 771,444 | -                         | 27                            |
|     |                  |              | 1                        | Accounts receivable         | 1,424,935  | -                         | 6                             |
|     |                  |              | 1                        | Other receivables           | 387        | -                         | -                             |
|     |                  |              | 1                        | Accounts payable            | 38,709     | -                         | -                             |
|     |                  |              | 1                        | Other payables              | 2,789      | -                         | -                             |
|     |                  | CMVT         | 1                        | Sales                       | 10,044     | -                         | -                             |
|     |                  |              | 1                        | Accounts receivable         | 14,914     | -                         | -                             |
|     |                  |              | 1                        | Accounts payable            | 1,030      | -                         | -                             |
|     |                  |              | 1                        | Rental income               | 726        | -                         | -                             |
|     |                  |              | 1                        | Sales                       | 49,042     | -                         | 2                             |
|     |                  | KSCMMT       | 1                        | Accounts receivable         | 48,587     | -                         | -                             |
|     |                  |              | 1                        | Other receivables           | 420,741    | -                         | 2                             |
|     |                  |              | 1                        | Royalty receipts            | 18,283     | -                         | 1                             |
|     |                  |              | 1                        | Sales                       | 18,081     | -                         | -                             |
|     |                  |              | 1                        | Accounts receivable         | 18,032     | -                         | -                             |
| 1   | NBCMMT           | CMVT         | 2                        | Sales                       | 1,302      | -                         | -                             |
|     |                  |              | 2                        | Accounts receivable         | 2,183      | -                         | -                             |
|     |                  | KSCMMT       | 2                        | Sales                       | 19,353     | -                         | 1                             |
|     |                  |              | 2                        | Accounts receivable         | 141,103    | -                         | 1                             |
|     |                  |              | 2                        | Accounts payable            | 2,968      | -                         | -                             |
| 2   | KSCMMT           | KSCMS        | 2                        | Accounts payable            | 2,968      | -                         | -                             |
|     |                  | KSCMS        | 1                        | Sales                       | 216        | -                         | -                             |
|     |                  |              | 1                        | Other receivables           | 122        | -                         | -                             |
|     |                  |              | 1                        | Interest revenue            | 239        | -                         | -                             |
|     |                  |              | 1                        | Other payables              | 123,846    | -                         | -                             |

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

No. 2 represents a transaction between subsidiaries.

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

TABLE 6

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location            | Main Business and Product                 | Original Investment Amount |                | As of March 31, 2018 |       |                 | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note   |
|------------------|------------------|---------------------|-------------------------------------------|----------------------------|----------------|----------------------|-------|-----------------|-----------------------------------|------------------------|--------|
|                  |                  |                     |                                           | March 31, 2018             | March 31, 2017 | Number of Shares     | %     | Carrying Amount |                                   |                        |        |
| CMMT             | CMMTS            | Samoa Islands       | Investment                                | \$ 431,482                 | \$ 431,482     | 13,300               | 100   | \$ 797,432      | \$ (43,261)                       | \$ (43,261)            | Note 1 |
|                  | CMVT             | Tainan City, Taiwan | Electronic component manufacture and sale | 205,000                    | 205,000        | 20,500               | 68.33 | 80,325          | (18,877)                          | (12,899)               | Note 1 |
|                  | CMMTI            | Samoa Islands       | Investment                                | 2,230,328                  | 2,230,328      | 73,500               | 100   | 1,812,209       | (45,629)                          | (45,629)               | Note 1 |
|                  | CTI              | Tainan City, Taiwan | Investment                                | 50,000                     | 50,000         | 5,000                | 100   | 27,608          | (2,129)                           | (2,129)                | Note 1 |
|                  | CTT              | Tainan City, Taiwan | Trade                                     | 1,000                      | 1,000          | 100                  | 100   | 975             | -                                 | -                      | Note 1 |
| CTI              | CMVT             | Tainan City, Taiwan | Electronic component manufacture and sale | 33,000                     | 39,000         | 3,300                | 11    | 10,686          | (18,877)                          | (2,111)                | Note 1 |

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: For investments in mainland China, refer to Table 10.

TABLE 7

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Foreign Currencies in Thousands, Unless Stated Otherwise)

| Investee Company | Main Business and Product                 | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Investment Flows |        | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss)      | Carrying Amount as of March 31, 2018 | Accumulated Repatriation of Investment Income as of December 31, 2017 |
|------------------|-------------------------------------------|-----------------|----------------------|---------------------------------------------------------------------------------|------------------|--------|--------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|-----------------------------|--------------------------------------|-----------------------------------------------------------------------|
|                  |                                           |                 |                      |                                                                                 | Outflow          | Inflow |                                                                                |                                   |                                              |                             |                                      |                                                                       |
| NBCMMT           | Electronic component manufacture and sale | RMB 131,946     | Note 1               | \$ 431,482<br>USD 13,300                                                        | \$ -             | \$ -   | \$ 431,482<br>USD 13,300                                                       | \$ (43,261)<br>RMB (9,382)        | 100                                          | \$ (47,713)<br>RMB (10,348) | \$ 818,548<br>RMB 176,145            | \$ -                                                                  |
| KSCMMT           | Electronic component manufacture and sale | RMB 948,460     | Note 1               | 2,230,328<br>USD 73,500                                                         | -                | -      | 2,230,328<br>USD 73,500                                                        | (93,120)<br>RMB (20,195)          | 49                                           | (45,629)<br>RMB (9,896)     | 1,812,475<br>RMB 390,031             | -                                                                     |
| KSCMS            | Trade                                     | RMB 50,000      | Note 1               | -                                                                               | -                | -      | -                                                                              | 6,861<br>RMB 1,488                | 49                                           | 3,362<br>RMB 729            | 122,573<br>RMB 26,377                | -                                                                     |
| XJHM             | Electronic component manufacture and sale | RMB -           | Note 3               | -                                                                               | -                | -      | -                                                                              | -                                 | 49                                           | -                           | -                                    | -                                                                     |

| Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2018 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|--------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------|
| \$2,661,810<br>(USD 86,800)                                                          | \$4,786,475<br>(USD 159,800)                                 | \$ 6,634,715                                                                      |

Note 1: The method of investment is by investing in an existing company through a third party.

Note 2: Net income (loss) of the investee and the balance of long-term equity investments were recognized on the basis of audited financial statements.

Note 3: As of March 31, 2018, the establishment registration was completed, but capital was not invested yet.

**TABLE 8**

**CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE THREE MONTHS ENDED MARCH 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company | Transaction Type | Purchase/Sale |    | Price | Transaction Details |                                     | Notes/Accounts Receivable<br>(Payable) |    | Unrealized<br>(Gain) Loss | Note |
|------------------|------------------|---------------|----|-------|---------------------|-------------------------------------|----------------------------------------|----|---------------------------|------|
|                  |                  | Amount        | %  |       | Payment Terms       | Comparison with Normal Transactions | Ending Balance                         | %  |                           |      |
| NBCMMT           | Sale             | \$ 771,444    | 44 | Note  | Note                | Note                                | \$ 1,424,935                           | 58 | \$ 21,093                 | Note |
| KSCMMT           | Sale             | 49,042        | 3  | Note  | Note                | Note                                | 48,587                                 | 2  | -                         | Note |

Note: Prices and terms were determined in accordance with mutual agreements and were comparable to market transactions.