

CHENG MEI MATERIALS TECHNOLOGY CORP.

Handbook of 2019 Annual General Meeting (Summary)

Date : June 28,2019

**Place : No.12, Zhongxin E. Rd., Xinshi Dist., Tainan City (Audio Visual
Conference Hall at Tree Valley science center)**



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- 3.Independent Auditors' Report and 2018 Consolidated Financial Statements)

Appendix

1. Articles of Incorporation (before amendment)
2. Rules and Procedures of Shareholders' Meeting
3. Shareholdings of All Directors
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2019 Annual General Meeting Procedures

1. The Chairman Calls the Meeting to order
2. Chairman's Remark
3. Report Items
4. Ratification Items
5. Matters for Discussion
6. Extemporary Motions
7. Meeting Adjourned

2019 Annual General Meeting Agenda

Time : 9:00 a.m., June 28, 2019

Place : No.12, Zhongxin E. Rd., Xinshi Dist., Tainan City (Audio Visual Conference Hall at Tree Valley science center)

1. The Chairman Calls the Meeting to order
2. Chairman's Remark
3. Report Items
 - (1) To report the business of 2018
 - (2) 2018 Audit Committee's review report
 - (3) Current status report of 2018 AGM resolution, cash capital increase of the Global Depositary Receipt issuance.
4. Ratification Items
 - (1) 2018 Business Report & Financial Statements Report
 - (2) 2018 Appropriation of profit & loss
5. Matters for Discussion
 - (1) The Company proposes to raise capital through issuance of common shares for cash consideration by public offering or private placement, issuance of common shares to sponsor the issuance of global depositary receipts for cash or issuance of domestic/foreign convertible corporate bond (secured/unsecured)
 - (2) To amend the Articles of the Incorporation of the company
 - (3) To amend the Procedures for Lending Funds to Other Parties
 - (4) To amend Procedures for Endorsement & Guarantee
 - (5) To release Board of directors from the non-competition obligation
6. Extemporary Motions
7. Meeting Adjourned

Report Items

Item 1. To report the business of 2018

(Proposed by the Board of Directors)

Explanatory note: Please refer to Attachment 1

Item 2. 2018 Audit Committee's review report

(Proposed by the Board of Directors)

Explanatory note: Please refer to Attachment 2

Ratification Items

Item 1. 2018 Business Report & Financial Statements Report

(Proposed by the Board of Directors)

Explanatory note :

1. The Company's 2018 annual individual and consolidated financial statements, including the Balance Sheet, Comprehensive Income Statement, Statement of Changes in Equity, and Statement of Cash Flows, have been completed and are commissioned to Independent Auditors Lin, Yi-Zhang and Liu, Zhi-Meng from Pierce Water Coopers Taiwan to review and to issue relevant Audit Reports.
2. Please refer to Attachments for the Business Report, Audit Reports issued by Independent Auditors, and the financial statements of the company.
3. Please Recognize and Ratify

Resolution :

Item 2: 2018 Appropriation of profit & loss
 (Proposed by the Board of Directors)
 Explanatory Note :

CHENG MEI Materials Technology Corp.
 2018 Appropriation of Profit & Loss

In New Taiwan Dollars

Items	Amount
The initial unappropriated retained earnings	\$2,746,551,046
Current net (loss) profits (EPS-0.98/share)	(655,078,772)
Determination of a 10% mandatory reserve	0
Determination of a special reserve (note)	<u>(201,306,678)</u>
Current distributable profits	1,890,165,596
Items to be allocated	
Shareholders' cash dividend	0
	<hr/>
The end unappropriated retained earnings	\$1,890,165,596 =====

Note: The accumulated balances of the "Exchange Differences on Translation of Foreign Financial Statements" and "Unrealized Gain or Loss on Available-for-sale Financial Assets" have booked the reduction of shareholders' rights and determined a special reserve of NTD 201,306,678.

Chairman : Ho, Jau-Yang

President : Ho, Jau-Yang

Accounting Officer : Lian, Wei-Chung

1. The net loss in 2018 is NTD 655,078,772 and the Board proposes not to issue shareholder dividends.
2. Please recognize and ratify.

Resolution :

Matters for Discussion

Item 1: The Company proposes to raise capital in equity through the following vehicles including issuance of common shares for cash consideration by public offering or private placement, issuance of common shares as deposit for the issuance of Global Depository Receipts for cash or issuance of domestic/foreign convertible corporate bond (secured/unsecured).

(Proposed by the Board of Directors)

Explanatory Note :

1. In seeking of joint development of polarizer-related technologies and opportunities in strategic alliance with domestic or foreign industry players, and also for raising working capital for the company to meet future demands from market growth, CMMT proposes to raise capital through various financial vehicles including public offering or private placement depending on market environments and CMMT's operation needs in the future. CMMT may elect to issue common shares for cash, to issue common shares as preparation for the issuance of Global Depository Receipts or to issue convertible corporate bonds in domestic or in overseas (secured/unsecured). CMMT proposes at the Annual Shareholders' meeting that the Board of Directors is authorized from shareholders to render the power of determining the actual issuing price, and the issuing amount of common shares for conversion within the range of less than aggregate of 200,000,000 shares to the Board of Directors.
2. To increase the amount of registered capital of the company via public offering for cash
 - (1) Capital increase in cash via issuing common shares will be conducted by way of either (or both) book building or public subscription.
 - (2) Conducted by way of book building:
 - I. If the underwriting process is conducted by way of book building, except that 10% to 15% of the newly issued shares shall be reserved for subscription by employees of this Company in accordance with Article 267 of the Company Act, the remaining 85% to 90% of the newly issued shares shall be issued to the public by way of book building after the approval at the shareholders' meeting where existing shareholders waive their preemptive right to subscribe the new shares pursuant to Article 28-1 of the Securities and Exchange Act. In case the employees waive their rights or any shares remain unsubscribed, the Chairman is authorized to contact specific persons to subscribe to the remaining shares.
 - II. The issuing price of common shares may not be less than 90% of the simple arithmetic average of the closing prices of the common shares either one, three or five business days prior to the pricing date, after deduction of bonus shares from dividends (or

capital reduction), as required pursuant to Article 7 of the “Bylaws for Assisting Listed Company in Rights Issue by Underwriter Members of Taiwan Securities Association” (“TSA Bylaws”). The Board of Director proposes to authorize chairman negotiating with the lead manager and/or lead investor when determining the actual issuing price based on the above-described price range and the overall situation of book building.

(3) Conducted by way of public subscription

- I. If public subscription method is adopted, 10% to 15% of the newly issued shares shall be reserved for subscription by employees of this Company, another 10% will be allocated to the public and the remaining 75% to 80% of the shares shall be subscribed by the existing shareholders based on their shareholding percentage on the record date for subscription. In case the existing shareholders or the employees waive their rights or any shares remain unsubscribed, the Chairman is authorized to engage with specific investor to subscribe to the remaining shares.
- II. The issuing price of common share may not be less than 70% of the simple arithmetic average of the closing prices of the common shares either one, three or five business days prior to the pricing date, after deduction of bonus shares from dividends (or capital reduction), as pursuant to Article 6 of the TSA Bylaw. The company proposes to authorize Chairman negotiating with the lead manager and/or lead investor when determining the actual issuance price based on the above-described price range and the overall market situation.

3. Issuance of New Shares (Common Shares or Preferred Shares) as preparation for the Issuance of Global Depository Receipts for Cash

- (1) For issuance of new shares to sponsor the issuance of overseas depository receipts (“DR Issuance”) for cash consideration, 10% to 15% of the newly issued shares shall be reserved for subscription by employees of the Company in accordance with Article 267 of the Company Act, the remaining 85% to 90% of the newly issued shares shall be offered to the public pursuant to Article 28-1 of the Securities and Exchange Act as underlying securities to sponsor the DR Issuance. In case the employees waive their rights or any shares remain unsubscribed, the Chairman is authorized to contact specific persons to subscribe to the remaining shares.
- (2) The issuance price for common shares sponsoring the DR Issuance may not be less than 90% of the simple arithmetic average of the closing prices of the common shares either one, three or five business days prior to the pricing date, after deducting bonus shares from dividends (or capital reduction), as required pursuant to Article 9 of the TSA Bylaw. It is proposed that the Chairman be authorized to negotiate with the lead manager and determine the actual issuance price based on the above-described price range and the overall market condition.

4. Issuance of common shares or convertible corporate bond through private Placement (Subject to Article 43-6 section VI of the Securities and Exchange Act as well as the Directions for Public Companies Conducting Private Placements of Securities)
- (1) The necessity and reasonableness of the issuing price of the common share and convertible corporate bond:
- I. The actual issuing price of the common shares must not less than 80% of the reference price. It is of the possibility that the price of common shares issued may be lower than the face value of the common shares stated. In such occasion, the issuing price shall be deemed reasonable by reference to the relevant laws and regulations. The reference price is determined by the highest price that is calculated through the following methods. A. The issuing price of common share may not be less than 80% of the simple arithmetic average of the closing prices of the common shares either one, three or five business days prior to the pricing date, after deducting bonus shares from dividends (or capital reduction) B. Closing prices in average of the stock in 30 days before the pricing date. On occasion of the price per share of the common shares is lower than the face value due to market conditions in the future, the aggregated loss incurred on the shareholders' equity will be offset depending on the company's business operation going forwards
 - II. The actual issuing price of the convertible corporate bond must not less than 80% of the theoretical price. Such the theoretical price is determined by pricing model established on the basis of each right contained in the issuing terms and conditions. Raising working capital through the issuance of the bond is necessary for CMMT's operation and growth. The actual issuing price should be deemed reasonable because the pricing method properly reflects market environment and is subject to the relevant laws and regulations. On the occasion of the actual issuing price is lower than the face value due to downturn market environment. The aggregated loss incurred on the shareholders' equity will be offset depending on the company's business operation going forwards.
 - III. Pricing date, the reference price, the theoretical price, actual issuing price and terms and conditions (including interest rates, price for conversion, period and procedure for conversion) are proposed at the Annual shareholders' meeting seeking authorization from shareholders to render the power of determining the matters mentioned above to the Board of the Directors. The Board of Directors shall consider the market environment, terms and investors in the contemplation of making the determination referred above. Notwithstanding the aforementioned, the lock-up period of the common shares are for three years.

- (2) The method of selecting investors: Pursuant to the article 43-6 section 1 of Securities and Exchanges Act, a qualified investor must recognize CMMT's core value and be capable in assisting CMMT to facilitate the development in technologies, to improve quality of production, to reduce cost, to enhance efficiency. A qualified strategic investor is expected to assist CMMT's long-term development. The company proposed at the Annual Shareholders Meeting seeking authorization from shareholders to render the power of selecting strategic investor to the Board of Directors.
- (3) Necessity and Reasonableness of private placement
 - I. In consideration of capital market environment, time and plausibility of raising capital, cost of issuance, strategic investor as well as the 3 years lock-up period on the transferability of the shares, private placement offering pursues the long-term relationship between the company and strategic investor.
 - II. CMMT may engage in private placement offering once or for several times (not exceed in 3 times) for supplementing working capital, thus enhancing operational efficiency, financial structure and causing positive effects on shareholders equity.
- (4) The private placement offering is subject to the article 43-8 of Securities and Exchanges Act and relevant regulations and directions.
- (5) The Board of Director proposes at the shareholders' meeting approves and authorizes the Board of Directors with full power to decide, adjust, amend and implement the fund-raising plan, including actual issuing price, volume of shares to be issued, terms of issuance, proposed items, offering size, progress and projected effects, as well as all matters related to the issuance plan. It is also proposed that the shareholders authorize the Chairman or his designated person to approve and sign all documents related to the issuance and handle all relevant matters on behalf of the Company.
- (6) The Chairman is fully authorized to handle any matters not fully provided for above in accordance with the law
- (7). Submitted for discussion.

Resolution :

Item 2: To amend Articles of Incorporation of the company
(Proposed by the Board of Directors)

Explanatory note :

1. For the necessity of the business operation, the company proposes to amend the Articles of Incorporation
2. To add ZZ099999 to the Article 2 of the Article of Incorporation, the company is permitted to conduct all kind of business as long as the license requirement by laws is being satisfied.
3. To amend the Article 5 of the Article of Incorporation. The Article 5 now states “The registered capital of the company is NTD 10 billion, divided into 2 billion shares, the face value of each share is NTD 10. The Board of Directors is authorized to reserve the share issued as it views fit; the Board of Director shall act in compliance with the Company Act or relevant securities laws when determining the issuing price of each share. Within amount of NTD 3 billion, the company is permitted to issue convertible corporate bond, the face value of each share converted is NTD 10, the amount of shares converted is 300 million in total; In addition, the company may issue options to employees within amounts of 600 million, the face value of each share converted is NTD 10, the amount of shares is 30 million in total, The Board of Directors is authorized to issue shares as views fit.
4. The current year’s earnings, if any, shall firstly be used to pay all taxes and offset losses in previous year and then set aside 10% as mandatory reserve. When such mandatory reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as 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 by the shareholders’ meeting.
5. To amend the Article 25-1 of the Article of Incorporation. The Article 25-1 now states: Surplus should be used to pay tax, offset the aggregated loss, and 10% surplus in mandatory reserve. However, 10 % mandatory reserve may not to be executed as the reserve reaches to the amount of registered capital of the company; the Board of Directors is authorized to assign dividend and bonus wholly or partially in cash and report to shareholders’ meeting if mandatory reserve, tax and levies have been paid out.

Resolution :

Item 3: To amend the Procedures for Lending Funds to Other Parties

(Proposed by the Board of Directors)

Explanatory note:

1. For the necessity of the business operation, the company proposes to amend the Procedures for Lending Funds to Other Parties
2. To amend the Article 2 of the Procedures for Lending Funds to Other Parties. The Article 2 now states: A public listed company must not lend shareholders or any other parties unless a) There is a business relationship between the company and business b) there is a need for short-term lending between the company and the business. The total amount of lending shall not exceed the 40% of net value of the company. Short-term refers to short than 1 year unless the business cycle of the company is longer than 1 year. c) A public listed company directly or indirectly holds the total shares issued with voting rights of another domestic or foreign company.
3. To amend the Article 3 of the Procedures for Lending Funds to Other Parties, the Article 3 of the procedures now states: Subject to the Article 2 subsection 1 of the Procedure, the company must not lend to an individual borrower the amount that exceeds the amount of business transaction aggregated in a year between the company and the borrower. Subject to the Article 2 subsection 2 of the Procedure, the company must not lend an individual borrower the amount that exceeds 40 % of the net value stated in the updated financial statement. Despite the classifications of the borrower, the limitation on the amount lending out must not exceed 60% of the net value stated in the financial statements of the company. A public listed company is not subject to the Article 2 subsection 2 and 3 of the Procedure if the company directly or indirectly holds the total shares issued with voting rights of another foreign company.
4. To amend the Article 8 of the Procedures for Lending Funds to Other Parties, the Article 8 of the procedures now states: Any revision or amendment to the Procedure shall be resolved by at least 1/2 members of the Auditing committee (or 2/3 directors of the Board of Directors), and then send such revision or amendment to the Board of Directors before proposing to the shareholders meeting for discussion. If any of director disagrees with and such disagreement has been recorded or reduce to a written statement, the company shall send the recorded disagreement to each independent director and reporting to the shareholders' meeting.
5. Submitted for discussion

Resolution :

Item 4: To amend the Procedures for Endorsement & Guarantee

(Proposed by the Board of Directors)

1. For the necessity of the business operation, the company proposes to amend Procedures for Endorsement & Guarantee
2. To amend Article 8 of the Procedures for Lending Funds to Other Parties, it now states: Any revision or amendment to the Procedure shall be resolved by at least 1/2 members of the Auditing committee (or 2/3 directors of the Board of Directors), and then send such revision or amendment to the Board of Directors before proposing to the shareholders meeting for discussion. If any of director disagrees and such disagreement has been recorded or reduce to a written statement, the company shall send the recorded disagreement to each independent director and reporting to the shareholders' meeting.
3. To add Article 8-1 to the Procedures for Endorsement & Guarantee, it states: In the procedure, the duty and power of the auditing committee are referred to the Article 15, Article 16, Article 18 and Article 20 of the Procedure for Lending Funds to Other Parties
4. Submitted for discussion

Resolution :

Item5: To relieve the director from the non-competition obligation

(Proposed by the Board of Directors)

Explanatory note :

1. As provisioned in Article 209 of the Company Act, "A director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
2. To solicit professionals of the industry to join the Company and its management, the Company plans to cancel the non-competition restriction on new director.
3. The proposed relief of non-competition restriction on the candidate of director:

Name	Positions in other cooperation
Wei Lun Lu	General Manager at Beyond PV Co., Ltd.

4. Submitted for discussion.

Resolution:

Extemporaneous Motions

Meeting Adjourned

【2018 Business Report】

I. 2018 Business Report:

(I) The results of implementation of the business plan

Comparing to 2017, significant growth in revenue over 2018 contributed to the subsidiary KSCMMT's manufactural capacity has exponentially increased. Despite the company is profitable as mentioned, severe competitions in polarizer market results net loss over 2018

(II) Analysis of the budget enforcement, receipts and expenditures, and profitability:

In Thousands of New Taiwan Dollars; %

Item	2018	2017	Ration of increase/decrease (%)
Operating revenue	12,767,162	9,878,148	29.25
Operating gross loss	561,954	-749,112	175.02
Operating net loss	-606,868	-1,671,123	63.69
Annual net loss	-1,048,146	-1,550,026	32.38
Gross loss ratio	4%	-7%	12
Operating net loss ration	-5%	-17%	12

In Thousands of New Taiwan Dollars %

Item		2018	2017	
Analysis of financial structure	Debt to asset ratio (%)	47.92	43.38	
	Long-term fund to real-estate, factory, and equipment ratio (%)	136.37	118.90	
Analysis of debt-paying structure	ROA (%)	3.22	-6.56	
	ROE (%)	-7.63	-11.80	
Analysis of profitability	Ratio to paid-in capital (%)	Pre tax net loss	-16.12	-25.28
	Net loss ratio (%)		-8.21	-15.69
	After tax loss per share (NT\$)		-0.98	-2.18

The Company's 2018 net revenue is NTD 12.7 billion, which shows a 29.25% growth compared to last year's number. The annual net loss is NTD 10.48 billion, which is 8.21% of the revenue and shows 32.38% decrease in loss than last year's figure. The total capital of the Company is NTD27.23 billion with the debt to total capital ratio being 47.92%. The overall financial structure is still acceptable.

Attachment 1

(III) Status of production and R&D

The Company's products are strong and already have a certain share on market. In addition to maintaining the steady capacity of POL, the Company will embark on developing new products to reach the goal of product diversity.

1. To respond to the market's demand for the growing shipment of TV screens and expanding need for big size POL, the Company adjusts the proportion of big size POL for TV and strives to achieve the goal of developing POL that is high-contrast, high-transmitted, heat-resistant, and humidity-resistant. We hope to meet clients' requirements of high quality and low price and escalate the competitiveness of CMMT's products.
2. Develop ultra-thin cell phone POL products for IPS that are characterized by high contrast, high transmittance, and low-end feeler-surface finish.
3. Develop new formulas to enhance the chemical and weather resistance of POL products.
4. Develop machines that are capable of enhancing the speed of production and improve manufacturing processes to strengthen the competitiveness of the Company's products.
5. Develop vehicle-mounted POL products.
6. Develop medium and small size POL for OLED.

The Company will keep its finger on the pulse of the supply and demand of the marker and carry on the research and production of relevant products to fulfill the needs of the future marker. By doing so, we hope to realize our goal of product diversity and connect the features of our products with the industry closely.

(IV) The exterior environment of competition, the laws, and the general environment of operation

The main materials for making POL are still in the hands of Japanese companies and the restrictions imposed by the suppliers have hindered POL manufacturers' ability to bargain for material prices. Chinese manufacturers have been actively reaching their tentacles in the industry and developing their technologies and product applications.

China's panel capacity has reached new heights in 2018 and harbors tremendous market prospects for POL manufacturers.

II. Domestic and foreign planning

(I) The principle of operation and policy of production and sale

The Company will continue building a closer coordination channel for production and sale with its original clientele, grasping information concerning the market's supply and demand for POL, producing more efficient combination by adjusting the production and sale of products. The Company will ensure to provide the greatest flexibility regarding production and sale cooperation and reasonable supply for stocks, play along with clients' demands and technology development, and produce and sell products that meet clients' needs to make profits.

Attachment 1

(II) Projected sales number

The sales number is based on the panel production capacity of the Company's major clients plus the historical sales performance. A plethora of panel plants plunged into the panel production in 2019 and as the capacity rises, the market's need for POL grows substantially. On the other hand, CMMT's investment in a whole-process POL plant that includes front-end engineering grants CMMT a duty-free incentive. CMMT will carry on developing new clients in China and secure itself with an advantageous position in the Chinese POL market with the supplied general capacity. All in all, the sales number of CMMT's POL still possesses the momentum to strive.

III. The Company's future strategy of development

The POL industry is the major-supported industry by China's policy. In response to different Chinese POL manufacturers announcing their new requirements of capacity, the Company's local-funded plant in Kunshan enters the capacity stage. With the advantage of the duty-free tax incentive, we will be able to meet the production requirements of local panel manufacturers promptly. Our scope will further cover big size TV, MNT, and other products and the expansion will be beneficial to the overall revenue and resurge of profits. Notably, Nitto has licensed the second production line to be built which has 2.5 metre wide. The new production line facilitates the goal of diversifying customer-base.

Chairman Ho, Jau-Yang

President Ho, Jau-Yang

Accounting Officer Lian, Wei-Chung

Audit Report by the Audit Committee

The Board of Directors has made and reported the Company's 2018 financial statement, the business report, and the plan of appropriation of profit and loss. The Audit Committee found no discrepancy between the reported documents and facts after verifying. The Audit Committee hereby produced and sent forth the report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: CMMT Materials Technology Corp. 2019 Annual General Meeting

Convener of the Audit Committee
Independent Director: Chen, Yen-Song

13 May, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Cheng Mei Materials Technology Corporation Co., Ltd.

Opinion

We have audited the accompanying restated consolidated balance sheet of Cheng Mei Materials Technology Corporation Co., Ltd. (formerly Chi Mei Materials Technology Corporation) and subsidiaries (the “Group”) as at December 31, 2018, and the related restated consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

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

Significant uncertainty for operating as a going concern

The Group has a short-term revolving capital difficulty as the bank facility was suspended by the bank and cannot be used as described in Note 12(5) of the consolidated financial statements. The implementation of debt negotiation procedures has been initiated by the Board of Directors, however, there may be a significant uncertainty for the Group to continue as a going concern. The qualified opinion has not been modified to include the going concern issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. These do not include the matters described in the basis for qualified opinion paragraph and the material uncertainty related to going concern paragraph.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Fair value measurement of investment in unlisted stock without active market

Description

In terms of the fair value of unlisted stock without active market, refer to Note 4(8) for the relevant accounting policies, Note 5(2) for the uncertainty of accounting estimates and assumptions, Note 6(3) for details of financial assets, and Note 12(3) for fair value information of financial instruments.

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

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

How our audit addressed the matter

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

1. Obtained the stock value calculation report provided by the commissioned appraiser and evaluated the professional expertise, competence and objectivity of the appraiser.
2. Reviewed the content of the appraisal report to understand and assess the reasonableness of source of the information used, valuation method and conclusions.
3. Consulted with our internal experts regarding the valuation method and inputs used in the estimation process and compared it with the historical market data to confirm the reasonableness of estimated prices.

Impairment assessment of property, plant and equipment

Description

In terms of property, plant and equipment, refer to Note 4(15) for the relevant accounting policies, Note 5(2) for uncertainty of accounting estimates and assumptions and Note 6(8) for account details.

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

How our audit addressed the matter

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

1. Obtained an understanding and assessed the estimation of future cash flows and checked whether the forecasting revenue in the following year used in the valuation model is consistent with the budget approved by the Board of Directors.
2. Obtained the source information referenced to determine the recoverable amounts, examined the management's intention and capability to perform the business plans and compared business performance during certain period after the balance sheet date based on the management's projection on expected income and expenses.

3. Verified that the discount rate uses reasonable parameters such as risk-free rate for cost of equity capital, industry risk coefficient, returns of similar assets and equity-to-capital ratio.
4. Checked the formula in the valuation model.

Other matter — Revised audit opinion

We have previously issued a qualified opinion, dated March 31, 2019, for the consolidated financial statements before restatement of the Group for the year ended December 31, 2018. The qualification was due to the lack of sufficient and adequate audit evidence available for us to assess whether inventories were impaired. Thus, we were unable to make a judgement whether such inventories need possible impairment adjustments. As described in Note 12 (6) of the consolidated financial statements, the Group has reevaluated the amount of inventories and has restated the consolidated financial statements for the year ended December 31, 2018. As a result, we have revised our opinion on the restated consolidated financial statement of the Group for the year ended December 31, 2018, which is different from the opinion we previously expressed.

Other matter – Scope of the Audit

The consolidated financial statements before restatement of the Group for the year ended December 31, 2017, were audited by other auditors who expressed an unqualified opinion on those statements on March 19, 2018. As mentioned in Note 6(18), the Group has elected to restate the financial statements for the year ended December 31, 2017, however, the predecessor auditor did not reissue the audit report. We did not audit the restated consolidated financial statements of the Group. The information is for reference only.

Other matter – Parent company only financial reports

We have audited the parent company only financial statements of Cheng Mei Materials Technology Corporation for the year ended December 31, 2018, on which we have expressed an opinion with additional paragraphs on the significant uncertainty for operating as a going concern and other matter on these restated parent company only financial statements.

Responsibilities of management and those charged with governance for 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Lin, Yi- Zhang

Liu, Zi-Meng

PricewaterhouseCoopers, Taiwan

April 29, 2019

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

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	(Restated)		December 31, 2017		
		December 31, 2018	%	December 31, 2017	%	
		AMOUNT		AMOUNT		
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,105,426	11	\$ 4,497,296	19
1110	Current financial assets at fair value through profit or loss	6(2)	84,525	-	-	-
1136	Current financial assets at amortised cost	6(4) and 8	1,313,826	5	-	-
1150	Notes receivable, net	6(5) and 8	186,620	1	484,392	2
1160	Notes receivable, net - related parties	6(5) and 7	18,806	-	4,565	-
1170	Accounts receivable, net	6(5) and 12(4)	4,199,939	16	3,062,933	13
1180	Accounts receivable, net - related parties	6(5) and 7	197,791	1	-	-
1200	Other receivables	6(7)	114,977	1	160,660	1
1210	Other receivables - related parties	7	88,256	-	12,422	-
1220	Current tax assets		1,230	-	-	-
130X	Inventories	5 and 6(6)	3,883,297	14	2,282,710	10
1410	Prepayments		259,968	1	608,201	2
1479	Other current assets	6(10), 8 and 12(4)	43,882	-	382,060	2
11XX	Total current assets		<u>13,498,543</u>	<u>50</u>	<u>11,495,239</u>	<u>49</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 7	215,727	1	-	-
1600	Property, plant and equipment	5 and 6(8)	10,693,045	39	11,169,695	48
1780	Intangible assets	6(9)	91,846	-	95,632	-
1840	Deferred tax assets	6(24)	112,646	-	56,502	-
1915	Prepayments for equipment	7	1,567,878	6	165,706	1
1990	Other non-current assets	6(10)	1,054,232	4	475,817	2
15XX	Total non-current assets		<u>13,735,374</u>	<u>50</u>	<u>11,963,352</u>	<u>51</u>
1XXX	Total assets		<u>\$ 27,233,917</u>	<u>100</u>	<u>\$ 23,458,591</u>	<u>100</u>

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	(Restated)		December 31, 2017		
		December 31, 2018	%	December 31, 2017	%	
		AMOUNT		AMOUNT		
Current liabilities						
2100	Short-term bank loans	6(11)	\$ 5,441,325	20	\$ 3,813,259	16
2110	Short-term bills payable		-	-	100,000	1
2120	Current financial liabilities at fair value through profit or loss	6(2) and 12(4)	2,681	-	349	-
2130	Contract liabilities	3(1), 6(18) and 7	33,760	-	-	-
2150	Notes payable		156,037	-	132,463	1
2170	Accounts payable		2,350,148	9	1,974,351	8
2180	Accounts payable - related parties	7	375,639	1	-	-
2200	Other payables	6(12)	1,076,211	4	1,481,891	6
2230	Current tax liabilities		147	-	435	-
2250	Provisions for liabilities - current	3(1)	-	-	9,564	-
2320	Current portion of long-term bank loans	6(13)	3,170,244	12	2,639,833	11
2399	Other current liabilities	3(1) and 6(30)	23,360	-	25,004	-
21XX	Total current liabilities		<u>12,629,552</u>	<u>46</u>	<u>10,177,149</u>	<u>43</u>
Non-current liabilities						
2540	Long-term bank loans	6(13)	202,996	1	-	-
2570	Deferred tax liabilities	6(24)	22,674	-	-	-
2645	Guarantee deposits		49	-	171	-
2670	Other non-current liabilities	6(30)	193,877	1	-	-
25XX	Total non-current liabilities		<u>419,596</u>	<u>2</u>	<u>171</u>	<u>-</u>
2XXX	Total liabilities		<u>13,049,148</u>	<u>48</u>	<u>10,177,320</u>	<u>43</u>
Equity attributable to the owners of the company						
Share capital						
3110	Common shares	6(15)	6,657,285	24	6,657,285	28
Capital surplus						
3200	Capital surplus	6(16)	851,689	3	856,768	4
Retained earnings						
3310	Legal reserve	6(17)	1,085,124	4	1,085,124	5
3320	Special reserve		246,224	1	202,973	1
3350	Unappropriated retained earnings		2,091,473	8	2,789,804	12
3400	Other equity interest		(447,530)	(2)	(246,224)	(1)
31XX	Total equity attributable to owners of the Company		<u>10,484,265</u>	<u>38</u>	<u>11,345,730</u>	<u>49</u>
36XX	Non-controlling interest	4(3) and 6(26)	3,700,504	14	1,935,541	8
3XXX	Total equity		<u>14,184,769</u>	<u>52</u>	<u>13,281,271</u>	<u>57</u>
Significant contingent liabilities and unrecognized contract						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 27,233,917</u>	<u>100</u>	<u>\$ 23,458,591</u>	<u>100</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except loss per share)

Items	Notes	Year ended December 31				
		2018 (Restated)		2017 (Restated)		
		AMOUNT	%	AMOUNT	%	
4000	Net sales	6(18) and 7	\$ 12,767,162	100	\$ 9,878,148	100
5000	Cost of sales	6(6)(9)(18)(22)(23) and 7	(12,205,208)	(96)	(10,627,260)	(108)
5900	Gross profit (loss)		561,954	4	749,112	8
	Operating expenses	6(9)(22)(23) and 12(2)				
6100	Selling and marketing expenses		(309,435)	(2)	(224,416)	(2)
6200	General and administrative expenses		(314,634)	(2)	(256,749)	(3)
6300	Research and development expenses		(449,827)	(4)	(440,846)	(4)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		(94,926)	(1)	-	-
6000	Total operating expenses		(1,168,822)	(9)	(922,011)	(9)
6900	Loss from operations		(606,868)	(5)	(1,671,123)	(17)
	Non-operating income and expenses					
7010	Other income	6(19)	99,516	1	47,890	-
7020	Other gains and losses	6(2)(20)	(274,928)	(2)	67,143	1
7050	Finance costs	6(8)(21)	(290,580)	(2)	(126,827)	(1)
7000	Total non-operating income and expenses		(465,992)	(3)	(11,794)	-
7900	Loss before income tax		(1,072,860)	(8)	(1,682,917)	(17)
7950	Income tax benefit	6(24)	24,714	-	132,891	2
8200	Loss for the year		(\$ 1,048,146)	(8)	(\$ 1,550,026)	(15)
	Other comprehensive income (loss)					
	Items that may not be reclassified subsequently to profit or loss					
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	(\$ 124,273)	(1)	\$ -	-
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign financial statements		(141,173)	(1)	(72,632)	(1)
8362	Unrealized loss on available-for-sale financial assets		-	-	(28)	-
8300	Other comprehensive loss, net		(\$ 265,446)	(2)	(\$ 72,660)	(1)
8500	Total comprehensive loss for the year		(\$ 1,313,592)	(10)	(\$ 1,622,686)	(16)
	Net loss attributable to					
8610	Owners of the Company		(\$ 655,080)	(5)	(\$ 1,226,260)	(12)
8620	Non-controlling interests		(393,066)	(3)	(323,766)	(3)
	Net loss		(\$ 1,048,146)	(8)	(\$ 1,550,026)	(15)
	Total comprehensive loss attributable to					
8710	Owners of the Company		(\$ 856,386)	(6)	(\$ 1,269,892)	(12)
8720	Non-controlling interests		(457,206)	(4)	(352,794)	(4)
	Net loss		(\$ 1,313,592)	(10)	(\$ 1,622,686)	(16)
	Loss per share	6(25)				
9750	Basic loss per share		(\$ 0.98)		(\$ 2.18)	
9850	Diluted loss per share		(\$ 0.98)		(\$ 2.18)	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent						Total	Non-controlling interest	Total equity		
	Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements				Other equity interest (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets
Year ended December 31, 2017											
Balance at January 1, 2017	\$ 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
Loss for the year	-	-	-	-	(1,226,260)	-	-	-	(1,226,260)	(323,766)	(1,550,026)
Other comprehensive loss for the year	-	-	-	-	-	(43,609)	-	23	(43,632)	(29,028)	(72,660)
Total comprehensive loss for the year	-	-	-	-	(1,226,260)	(43,609)	-	23	(1,269,892)	(352,794)	(1,622,686)
Distribution of 2016 earnings	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	166,124	(166,124)	-	-	-	-	-	-
Issuance of shares	1,500,000	403,007	-	-	-	-	-	-	1,903,007	-	1,903,007
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	381	-	-	381	(4,839)	(4,458)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	5,876	5,876
Balance at December 31, 2017	\$ 6,657,285	\$ 856,768	\$ 1,085,124	\$ 202,973	\$ 2,789,804	(\$ 246,224)	\$ -	\$ -	\$ 11,345,730	\$ 1,935,541	\$ 13,281,271
Year ended December 31, 2018 (Restated)											
Balance at January 1, 2018	\$ 6,657,285	\$ 856,768	\$ 1,085,124	\$ 202,973	\$ 2,789,804	(\$ 246,224)	\$ -	\$ -	\$ 11,345,730	\$ 1,935,541	\$ 13,281,271
Loss for the year	-	-	-	-	(655,080)	-	-	-	(655,080)	(393,066)	(1,048,146)
Other comprehensive loss for the year	-	-	-	-	-	(77,033)	(124,273)	-	(201,306)	(64,140)	(265,446)
Total comprehensive loss for the year	-	-	-	-	(655,080)	(77,033)	(124,273)	-	(856,386)	(457,206)	(1,313,592)
Distribution of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	43,251	(43,251)	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries disposed	-	3,714	-	-	-	-	-	-	3,714	2,286	6,000
Changes in ownership interests in subsidiaries	-	(8,793)	-	-	-	-	-	-	(8,793)	2,219,883	2,211,090
Balance at December 31, 2018	\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ -	\$ 10,484,265	\$ 3,700,504	\$ 14,184,769

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018 (Restated)	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 1,072,860)	(\$ 1,682,917)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(22)	1,096,227	968,042
Amortization expense	6(9)(22)	54,051	40,077
Expected credit impairment	12(2)	94,926	-
Reversal of provision for liabilities		-	9,564
Net gain on financial assets or liabilities at fair value through profit or loss	6(20)	(4,334)	(2,457)
Interest expense	6(21)	290,580	124,319
Interest income	6(19)	(28,568)	(21,474)
Dividend income	6(19)	(430)	-
Gain on disposal of investments	6(20)	(787)	(1,348)
Loss on disposal of property, plant and equipment	6(20)	7,315	(36)
Property, plant and equipment transferred to expenses		8,221	-
Foreign exchange gains		-	(22,778)
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		(79,797)	-
Notes receivable		297,772	(484,392)
Notes receivable - related parties		(14,241)	(4,565)
Accounts receivable		(1,138,634)	(173,360)
Accounts receivable - related parties		(197,791)	-
Other receivables		116,393	(42,080)
Other receivables - related parties		-	(12,417)
Inventories		(1,600,587)	(232,163)
Prepayments		354,227	13,550
Other current assets		64,639	(243,413)
Other non-current assets		-	(10)
Changes in operating liabilities			
Contract liabilities - current		24,281	-
Notes payable		23,574	132,463
Accounts payable		375,797	40,989
Accounts payable to related parties		375,639	-
Other payables		142,482	35,897
Provision for liabilities - current		-	(1,647)
Other current liabilities		(1,729)	(7,017)
Cash outflow generated from operations		(813,634)	(1,567,173)
Interest received		26,538	21,550
Interest paid		(281,652)	(117,002)
Income tax paid		(10,985)	(6,371)
Income tax refund received		3	-
Dividends received		430	-
Net cash flows used in operating activities		(1,079,300)	(1,668,996)

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018 (Restated)	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss, designated upon initial recognition		\$ -	(\$ 3,825,470)
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		-	3,973,837
Proceeds from disposal of available-for-sale financial assets		-	12,045
Increase in current financial assets at amortised cost		(1,037,562)	-
Increase in other receivables		(68,681)	-
Increase in other receivables - related parties		(167,329)	-
Increase in other current financial assets		-	(134,707)
Acquisition of non - current financial assets at fair value through other comprehensive income	6(3)	(340,000)	-
Net cash inflow on acquisition of subsidiaries	6(27)	-	5,343
Net cash outflow on disposal of subsidiaries		-	(13,861)
Acquisition of property, plant and equipment	6(28)	(1,359,252)	(1,686,527)
Proceeds from disposal of property, plant and equipment		75,253	393
Acquisition of intangible assets	6(9)	(40,970)	(29,760)
Increase in equipment prepayments		(1,450,214)	(148,130)
(Increase) decrease in refundable deposits		2,834	(9,939)
(Increase) decrease in other non-current assets		(587,008)	1,366
Net cash flows used in investing activities		(4,972,929)	(1,855,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans	6(29)	17,362,686	291,592
Repayment of short-term loans	6(29)	(15,798,012)	-
(Decrease) increase in short-term notes and bills payable	6(29)	(100,000)	100,000
Proceeds from long-term bank loans	6(29)	1,237,006	1,412,173
Repayment of long-term bank loans		(606,117)	-
(Decrease) increase in guarantee deposits received		(122)	86
Increase in other non-current liabilities		193,877	-
Disposal of ownership interests in subsidiaries (without losing control)	6(26)	6,000	-
Change in non-controlling interests	6(26)	2,211,090	-
Proceeds from issuance of shares	6(15)	-	1,903,007
Net cash flows from financing activities		4,506,408	3,706,858
Effect of exchange rate changes on cash and cash equivalents		153,951	(26,676)
Net (decrease) increase in cash and cash equivalents		(1,391,870)	155,776
Cash and cash equivalents at beginning of year	6(1)	4,497,296	4,341,520
Cash and cash equivalents at end of year	6(1)	\$ 3,105,426	\$ 4,497,296

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

ARTICLES OF INCORPORATION
OF
CMMT CORP. (BEFORE AMENDMENT)

(English translation, for reference only)

SECTION I GENERAL PROVISIONS

Article 1 The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Cheng Mei Materials Technology Corp.”

Article 2 The scope of business of the Company shall be as follow:

1. CC01080 Electronic Parts and Components Manufacturing
2. CE01030 Photographic and Optical Equipment Manufacturing
3. C801990 Other Chemical Materials Manufacturing
4. F113030 Wholesale of Precision Instruments
5. F119010 Wholesale of Electronic Materials
6. F219010 Retail Sale of Electronic Materials

Article 3 The total amount of the Company’s reinvestment shall not be subject to the restriction of not exceeding 40% of its paid-in capital, and the Company may act as a guarantor.

Article 4 The Company shall have its head-office in Tainan City, Taiwan and, if necessary, may set up branches in and out of this country upon a resolution of its Board of Directors.

SECTION II SHARES

Article 5 The total capital amount of the Company shall be seven billion New Taiwan Dollars (NT\$7,000,000,000), divided into seven hundred million (700,000,000) shares, at a par value of ten New Taiwan Dollars (NT\$10) per share, and may be paid-up in installments.

Article 6 The share certificate of the Company shall all be name-bearing share certificates and shall be affixed with the seals or by signature of at least three (3) directors of the Company, and issued after being duly authenticated pursuant to the law.

Article 6-1 When issuing new shares, the Company may print a master share certificate representing the total number of shares of such issuance.
The Company may issue shares without printing share certificate(s) in accordance with Article 162-2 of the Company Act, but shall have the shares registered with the Taiwan Depository & Clearing Corporation.

Article 7 The shareholder services of the Company shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by competent authority.

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SECTION III SHAREHOLDERS' MEETING

- Article 8 Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting. The former shall be convened once a year within six months after the close of each fiscal year and the latter shall be convened whenever necessary. Notices which clearly state the purpose(s) for convening meeting shall be sent to each shareholder at least thirty (30) days in advance, in case of general meetings, and at least fifteen (15) days in advance, in case of extraordinary meetings.
- Article 9 Shareholders' meeting shall be convened by the Board of Directors and, be presided over by the Chairman of the Board of Directors; in case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.
- For the Shareholders' meeting convened by any other person having the convening right, such person shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
- Article 10 Unless otherwise provided under Article 179 of the Company Act which sets forth the situation where the shareholder has no voting rights, a shareholder of the Company shall have one vote for each share held by him/her/it.
- Article 11 In case a shareholder is unable to attend a shareholders' meeting in person, such shareholder may issue proxy in the form printed by the Company, setting forth the scope of authorization for the representative to be present on his/her/its behalf in accordance with Article 177 of the Company Act, or vote in writing or via an electronic voting system in accordance with Article 177-1 of the Company Act.
- Article 12 Unless otherwise provided in the Company Act, a resolution shall be made at the meeting attended by shareholders holding and representing majority of the total number of issued and outstanding shares and at which meeting a majority of the shareholders shall vote in favor of the resolution.
- Article 13 In case the corporate shareholder is the sole shareholder of the Company, the power of the Shareholders' meeting shall be performed by the Board of Directors and shall not subject to the relevant rules of the Shareholders' meeting under this Articles of Incorporation.
- Article 14 The resolutions of the shareholders' meeting shall be recorded in the minutes, and shall be made in accordance with Article 183 of the Company Act.
- Article 14-1 The termination of the Company's being a public company is subject to the shareholders' approval. For so long as the shares are traded on the Emerging Stock Market or listed on the Taipei Exchange or the Taiwan Stock Exchange in Taiwan, this

Appendix 1

article shall not be amended.

SECTION IV DIRECTORS AND SUPERVISORS

Article 15 The Company shall have five (5) to nine (9) directors to be elected at a shareholders' meeting through candidates nominating system from the nominees listed to serve a term of three years. A director may be re-elected. The number of Directors is determined by the Board of Directors.

Article 15-1 The aforesaid Board of Directors must have at least three (3) or one-fifth (1/5) of all directors, whichever is higher, independent directors in accordance with relevant rules of the Securities and Exchange Act. Directors shall be elected by cumulative voting system as specified in Article 198 of the Company Act. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately. Those candidates receiving more voting rights shall be elected as Directors. The methods of nomination and election and other related matters shall be subject to the applicable laws.

The minimum number of total shares to be owned by the directors of the Company shall be in compliance with the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies as promulgated by the Financial Supervisory Commission.

Article 15-2 The Company shall set forth the Audit Committee, which comprises of all the independent directors, in accordance with the Securities and Exchange Act. One of independent directors shall be convener, and at least one of whom shall have accounting or financial expertise. The resolution of the Audit Committee shall be made at the meeting in which a majority of the independent directors shall vote in favor of the resolution.

Article 15-3 After the establishment of the Audit Committee, the Audit Committee shall be responsible for performing the power of supervisors as provided in the Company Act, the Securities and Exchange Act, the Articles of Incorporation and the internal rules of the Company and the relevant laws and regulations.

Article 16 In the year the terms of the directors are expired, the Board of Directors shall convene the general shareholders' meeting for re-electing the directors in accordance with the Securities and Exchange Act.

Article 16-1 When the number of vacancies in the Board of Directors equals to or exceed one third (1/3) of the total number of directors, the Board of Directors shall hold, within sixty (60) days, an extraordinary shareholders' meeting to elect succeeding directors to fill the vacancies, whose term of office are limited to fulfill the remaining term of the predecessors.

Article 16-2 Regardless whether the Company makes profits or suffers loss, the Company may

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pay the directors the remunerations for their performance their duties. The Board of Directors is authorized to determine such remunerations based on the extent of involvements of the Company's operation and the value of the contribution of the directors and the normal rate adopted by other companies in the same industry., but shall subject to the top level of salary stipulated in the Company's salary determination rule.

Article 17 The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the directors by majority of directors present at a meeting attended by more than two thirds of directors. The vice Chairman of the Board of Directors may also be elected from among the directors by the same way of the Chairman election. The Chairman shall externally represent the Company and internally perform all his/her duties in accordance with laws and regulations, the Articles of Incorporation, resolutions adopted at meetings of Shareholders and the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice Chairman of the Board of Directors shall act as the Chairman.

Article 17-1 The meeting of the Board of Directors shall be held at least once every quarter. In convening a meeting of the Board of Directors, a notice indicated the purpose(s) for convening the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date in writing or via e-mail or fax. However, in the case of urgency, the meeting may be convened at any time.

Article 18 Operational policy of the Company and any other material subject matters should be determined by the Board of Directors. Except for the first meeting of the Board of Directors of every new term, which shall be convened pursuant to Article 203 of the Company Act, all other meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, and shall be presided over by the Chairman of the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice Chairman of the Board of Directors shall act as the Chairman. In case there is no vice Chairman or the vice Chairman of the Board of Directors is on leave or unable to perform his duties for cause as well, the Chairman of the Board shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.

Article 19 Unless otherwise provided for by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of a majority of the directors present in a meeting attended by the majority of the total directors. Directors shall attend meetings of the Board of Directors in person. If a director is unavailable to attend a meeting in person, the director may issue a proxy specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director

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at a meeting.

Article 20 The resolutions of the meetings of the Board of Directors shall be recorded in the minutes, and such minutes shall be signed by or sealed with the stamp of the chairman of the meeting and delivered to all directors within twenty (20) days after the meeting. The minutes shall record a summary of the essential points of the proceedings, the method of adopting resolutions and the results of the meeting. The minutes, together with the attendance list and proxy, shall be filed and kept at the Company.

Article 21 (Deleted)

Article 21-1 The Company may purchase D&O liability insurance to cover the directors and managers for the liabilities they shall be responsible while performing their duties.

SECTION V MANAGERS

Article 22 The Company may have managers whose appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Act.

SECTION VI ACCOUNTING

Article 23 The fiscal year of the Company is from January 1 of each year to December 31 of the same year.

Article 24 After the close of each fiscal year, the Board of Directors shall prepare the following documents and submit the same to the supervisors for auditing on or before thirty (30) days prior to the general shareholders' meeting and then submit to the general shareholders' meeting for acceptance: (1) the business report, (2) the financial statement and (3) the surplus earning distribution or loss off-setting proposals.

Article 25 When the Company allocates the profit of the current year, if any, no less than 2% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 1% of the aforesaid profit as Directors' compensation. The proposals of the employees' compensation and the directors' compensation should be reported on the Shareholders' meeting. Notwithstanding the foregoing, when there are accumulated losses, the profits shall be used to offset accumulated losses first, and then the balance of which may be allocated to employees and directors in accordance with the aforesaid percentage.

In case the employees' compensation is distributed in the form of shares, the number of such shares shall be calculated based on the current regulations.

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For the purpose of this article, the profit shall mean the earnings before tax without giving effect to the deduction of the employees' compensation and directors' compensation, and assuming that such employees' compensation shall only be distributed in whole.

Article 25-1 The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as 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 by the shareholders' meeting.

After taking into account of the Company's current and future development plan, investment environment, fund requirements, and domestic and international competition and the interests of shareholders, the dividend policy of the Company is to set aside no less than 20% of distributable earnings as shareholders' dividends and bonuses. However, in case the accumulated distributable earnings is less than 50% of paid-in capital, the Company may choose not to distribute dividends.

Dividends to common shareholder may be distributed by way of combination of cash dividend and stock dividend provided that the cash dividends shall not be less than 10% of the total dividends.

SECTION VII SUPPLEMENTARY PROVISIONS

Article 26 The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

Article 27 In regard to all matters not provided for in these Articles of Incorporation, the Company Act or other laws and regulations shall govern.

Article 28 These Article of Incorporation were enacted on May 9, 2005 and amended on Oct. 17, 2005 for the first time, on May 30, 2006 for the second time, on Oct. 20, 2006 for the third time, on Sep. 27, 2007 for the fourth time, on Mar. 26, 2008 for the fifth time, on Oct. 16, 2009 for the sixth time, on June 9, 2010 for the seventh time, on Oct. 8, 2010 for the eighth time, on Aug. 10, 2011 for the ninth time, on June 28, 2012 for the tenth time, on June 27, 2013 for the eleventh time, on June 6, 2014 for the twelfth time, on June 9, 2015 for the thirteenth time, on June 20, 2016 for the fourteenth time, and on Feb. 8, 2017 for the fifteenth time.

Rules on the Shareholders' Meeting

- I. The Shareholders' Meeting of the Company should be subject to the rules stipulated hereby.
- II. The Company should have an attendance book in place for shareholders to sign in person; attended shareholders can hand in a card with their names on it for the same purpose.
- III. The attendance and voting taking place in the Shareholders' Meeting should be calculated on the base of the number of shares the shareholder possesses. Shares represented by a shareholder will be decided according to the attendance book or the signature card the shareholder hands in, along with the number of shares granting the right to vote in written or electronic forms.
- IV. The Company should apprise the shareholders of the time, venue, and other things that should be taken note of in the meeting notice.

The attending shareholders should be present at the venue at least 30 minutes for registration before the meeting begins. The venue for registration should be clearly marked and equipped with plenty of staff.

The venue of the Shareholders' Meeting should be in the Company or places with good transportation for shareholders to attend the meeting. The venue of the meeting should be appropriate for the convening of such meeting. The meeting should not start earlier than 9 AM or later than 3 PM.

The shareholder or the shareholder's appointed proxy (hereinafter referred to as the shareholder) should carry an invitation, signature card, or other certificates guaranteeing the holder's attendance. The Company should not arbitrarily ask the Shareholder to produce certificates of attendance other than the one that is stipulated beforehand. Solicitors seeking POA should carry with them documents that can prove their identity for verification.

- V. Shareholders' Meetings convened by the Board should be presided over by the director of the Board. If the director of the Board is absent or unable to serve as the chairman, the director of the Board should appoint one person in the Board to be his/her proxy. In case the director of the Board fails to make such appointment, the Board should elect one proxy to be the chairman of the meeting.

Shareholders' Meetings convened by a person with the right to convene Shareholders' Meetings should be presided over by that person. Should there be two or more people with the right to convene the Shareholders' Meeting, they should elect one among them to serve as the chairman of the meeting.

Should the mantle of chairman of the Shareholders' Meeting is to be taken by the managing director of the Board or the proxy of the director of the Board, the aforesaid chairman should be in office for at least six months and have a clear understanding of the Company's financial status. The same criterion applies to situations where the chairman is played by the proxy of the director of an entity.

- VI. The Company can appoint its own attorneys, accountants, or other relevant staff to attend the Shareholders' Meeting.

The staff of the Shareholders' Meeting should wear identification cards.

- VII. The chairman should announce the commencement of the meeting at the scheduled time; however, if the present shareholders altogether does not constitute half of the total number of the

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Company's issued stocks, the chairman may postpone the meeting. The number of postponement should be no more than two times and the total time of postponement should be less than an hour. If, after two postponements, the total shareholders present still does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of the Company's issued shares. A notice of such tentative resolution should be distributed to all shareholders in accordance with Paragraph 1 of Article 175 of the Company Act. The Shareholders' Meeting should be reconvened within a month.

If the number of present shareholders constituting half of the total number of the Company's issued stocks is reached before the meeting is over, the chairman may deem such situation as a tentative resolution and proffer it for the meeting to vote in accordance with Article 174 of the Company Act.

- VIII. The agenda of the Shareholder's Meeting convened by the Board should also be stipulated by the Board. The meeting should follow the agenda and should not be changed without the resolution of the Board.

The provision of preceding article should apply when the Shareholders' Meeting is convened by people with the right to convene such meetings other than the Board.

The chairman of the Shareholders' Meeting should not dismiss the meeting before the previous two types of agenda (including AOB) are completed with a resolution being made. In the case when the chairman dismisses the meeting against the rules on the meeting, the members of the Board should follow the protocol and promptly assist the shareholders to elect one person with the approval of more than half of the present shareholders to be the new chairman and continue the meeting.

- IX. Before making a speech, the present shareholder should write down the gist of the speech, the shareholder's number (or the number of the attendance certificate) and the account name on a slip of paper. The chairman will decide the order of speech.

If the present shareholder hands in the paper slip but does not actually make the speech, it is construed that the shareholder does not make that speech at all. If there are discrepancies between the content on the paper slip and the shareholder's actual speech, the latter should prevail.

Unless approved by the chairman, shareholders should not interfere when another fellow shareholder is speaking. The chairman is entitled to stop the interfering shareholder.

- X. A shareholder is allowed to make a speech once for each motion unless approved by the chairman. Each speech should not exceed five minutes.

The chairman is entitled to stop the shareholder's speech when the shareholder violates the preceding provision or when the speech digresses from the motion.

- XI. When the shareholder's identity is the government or an entity, the shareholder can assign more than one representative to the Shareholders' Meeting. When an entity is authorized to attend the meeting, the quorum is limited to one person only.

When an entity shareholder appoints more than two representatives to attend the meeting, only one of them is entitled to make a speech on each motion.

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- XII. The chairman should reply in person or appoint relevant personnel to do so after a shareholder finishes his/her speech.
- XIII. The chairman is entitled to determine whether the discussion of a certain motion is adequate and is ready for voting. The chairman can announce termination to the discussion and begin voting procedure.
- XIV. The personnel in charge of the supervising and vote count of the voting of the motion should be appointed by the chairman. The supervising personnel should possess the identity of a shareholder. The voting of the Shareholders' Meeting or the vote count process of the elected motion should be carried out in public places of the venue. Vote count results should be publicly announced on site.
- XV. The chairman is entitled to announce recesses during the meeting.
- XVI. Regarding the voting of a motion, unless stipulated elsewhere in the Company Act and the Corporate Charter, the motion has to obtain approval from more than half of the present shareholders to pass. A motion is deemed passed after the chairman enquires the present shareholders and gets no objection. The validity of the process is equivalent to voting. Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder.

If elections for directors or supervisors are held in the Shareholders' Meeting, they should be subject to the terms and provisions of the Company's regulations on the election for director and supervisor. The results of the elections should be announced on site along the name of the elected directors and supervisors and their vote counts.

- XVII. When there is an amendment or substitute to the same motion, the chairman is entitled to integrate the amendment or substitute with the original motion and determines the voting order. When one of the motion passes the vote, the other motions are automatically rendered rejected and no further votes should be held on them.
- XVIII. The Company should hand to the present shareholders the pamphlet of the meeting, the annual statements, the attendance certificate, the voting slips along with other data related to the meeting; ballots should be attached if there are elections for directors and supervisors.

The Company should record the process of the meeting including the registration, the meeting itself, the voting and vote count process in a nonstop manner; the recording should contain both video and audio.

The aforesaid recording should be kept for at least one year. The recording should be kept until the end of litigation filed by a shareholder according to Article 189 of the Company Act.

- XIX. The chairman is entitled to call for disciplinary personnel or securities to maintain the order of the venue. Disciplinary personnel or securities should wear recognizable identifications when

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performing their duties of maintaining onsite order.

If a shareholder violates the rules on the meeting or impedes the process of the meeting and refuses to obey the chairman's warnings. The chairman is entitled to call for disciplinary personnel or securities to escort the shareholder out of the venue.

- XX. Unless otherwise stipulated in the Company Act and the Corporate Chapter, matters that are not covered by the *Rules on the Shareholders' Meeting* should be subject to the chairman's ruling. A shareholder should find an applicable and legal mean to express his/her/its discontent about this and should not interfere the process of the meeting deliberately.
- XXI. The *Rules on the Shareholders' Meeting* has been ratified, implemented, and amended with the Board's resolution.
- XXII. The *Rules on the Shareholders' Meeting* was stipulated on June 24, 2008. The 1st amendment was on October 16, 2009, the 2nd amendment was on June 27, 2013, and the 3rd amendment was June 9, 2015.

CMMT CORP.
Shareholdings of All Directors

- I. As of the end date (April 30, 2019) of transfer of this Shareholders' Meeting, the Company's paid-in capital is NT\$6,657,285,000 and the number of shares issued is 665,728,500. According to Article 26 of the Securities and Exchange Act, the minimum number of shares to be held by all directors should be 21,303,312.
- II. As of the end date (April 24, 018) of transfer of this Shareholders' Meeting, the shareholding status of all of the Company's directors is as follows:

Title	Account name	Number of shares	Shareholding ration %
Chairman	Jau-Yang Ho	5,720,906	0.86%
Director	Innolux Co., Ltd	57,211,305	8.59%
Director	Beyond PV	1,000	0%
Representative of Innolux	Jeffery Yang	0	0%
Representative of Beyond PV	Wei-Lun Lu	0	0%
Representative of Beyond PV	Lai-Huang Lo	0	0%
Independent director	Eddie Chen	0	0%
Independent director	Kuo-Shih Huang	0	0%
Independent director	Wei-Ting Liu	0	0%
total		62,936,211	9.45%

Note:

- As stipulated in Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, "the shareholdings of independent directors elected by a public company shall not be counted in the total referred to in the preceding paragraph; if a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors and shall be decreased by 20 percent."
- The Company has an Audit Committee in place; therefore the rules regarding shares owned by a supervisor are not applicable.

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Other Explanation Information

- I. The effects the stock grant has on the Company's business performance, earnings per share, and the shareholders' ROI: Not applicable, because the Company does not grant shares this year.

- II. Explanation on not listing the proposal of shareholders representing one percent of the Company's total issued shares:
The Company did not receive any proposal from shareholder during the application period (from April 16, 2018 to April 25, 2018).

- III. Information on remuneration of employees and directors:
Not applicable, because the Company did not distribute remuneration for employees and directors in 2017.