

**CHENG MEI MATERIALS TECHNOLOGY
CORPORTION (Formerly known as CHI MEI
MATERIALS TECHNOLOGY CORPORTION)
Handbook of 2020 Annual General Meeting (Summary)**



Date : April 30, 2020, 9AM

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

For the convenience of readers and for information purpose only, the Annual General Meeting (Summary) handbook has been translated into English from the original Chinese version. In the event of any discrepancy between the English version and the original Chinese version, the Chinese-language version shall prevail.

Table of Contents

Item	Page.
Meeting Agenda	3
Report Items	4
Ratification Items	5
Discussion Items	7
Extemporary Motions	11
Meeting Adjourned	11
Attachment	
1. 2019 business report	12
2. 2019 Auditor Committee's Review Report	14
3. 2019 Consolidate financial statement and Report of independent accountants	15
Appendix	
1. Articles of Incorporation	38
2. Rules and Procedures of Shareholders' Meeting	43
3. Shareholdings of All Directors	47
4. Other Explanation Information	48

2020 Annual General Meeting Procedures

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION

2020 Annual General Meeting Agenda

Time: 9:00 a.m., April 30, 2020

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). 2019 business report.
 - (2). 2019 Auditor Committee's Review Report.
 - (3). Status report of the resolution of the shareholders' meeting of the Company in 2019 of conducting the issuance of public offering or private offering of common shares, or to issue new common shares to sponsor the issuance of global depositary receipts.
 - (4). 2019 Endorsement & Guarantee status report.
 - (5). Report of shareholders' proposal.
4. Ratification Items
 - (1) 2019 Business Report & Financial Statements Report.
 - (2) 2019 Appropriation of profit & loss
5. Discussion Items
 - (1) To conduct the issuance of common shares through private placement, the issuance of new common shares through Global depositary receipt, the issuance of overseas, or domestic convertible bonds.
 - (2) Amendment of Procedure of Loan to others.
 - (3) Amendment of Procedure of Endorsement and Guarantees.
6. Extemporaneous Motions
7. Meeting Adjourned

Report Items

Item 1. 2019 business report.

Explanatory note: Please refer to Attachment 1

Item 2. 2019 Auditor Committee's Review Report.

Explanatory note: Please refer to Attachment 2

Item 3. Status report of the resolution of the shareholders' meeting of the Company in 2019 of conducting the issuance of public offering or private offering of common shares, or to issue new common shares to sponsor the issuance of global depositary receipts.

Explanatory note:

1. In order to meet future demands from market growth of the company, in 2019 Annual General Meeting resolute to authorized Board of directors meeting to raise capital within the range of less than aggregate of 200,000,000 shares through various financial vehicles including public offering or private placement.
2. Considering the circumstance of current capital market, on March 18, 2020, the Board of directors meeting resolute not to continue aforementioned motion.

Item 4. 2019 Endorsement & Guarantee status report.

Explanatory note:

As of December 31, 2019, the company's endorsement & Guarantee status is as follows,

1. The Board of Directors of Cheng Mei Materials Technology Corp. agreed to make endorsement/guarantee for the bank loan borrowed by Kunshan Chi Materials Technology Corp. subject to the shareholding of 49% and 49.49% on August 10, 2016. The balance on December 31, 2019 was NT\$ 3,444,732 thousand. The actual drawdown was NT\$ 2,342,259 thousand.
2. The Board of Directors of Cheng Mei Materials Technology Corp. agreed to make endorsement/guarantee for the bank loan borrowed by 100% subsidiary, Cheng Huei Trading Co. Ltd on November 6, 2018. The balance on December 31, 2019 was NT\$1,199,200 thousand. The actual drawdown was NT\$ 0.
3. The Board of Directors of Kunshan Chi Mei Materials Technology Corp. agreed to make endorsement/guarantee for the bank loan borrowed by 100% subsidiary, Kunshan Chimei Trading Co. Ltd on Feb 1, 2019. The balance was NT\$861,000

thousand. The actual drawdown was NT\$ 91,609 thousand.

Item 5. Report of shareholders' proposal.

Explanatory note:

1. During submission period of shareholder proposal, (Feb 24, 2020 ~ March 6, 2020), the company received two proposals.
2. Regarding to the liability conflict interest of INED Yen-Sung, Chen and CFO Ken Chen, legal prosecution raised by attorney. Due to the shareholder does not hold at least 1% of the outstanding shares during the submission period; therefore, the proposal not listed.
3. Dismissal of INED Yen-Sung, Chen. Due to INED Chen resigned on March 17, 2020, therefore, the proposal not listed.

Ratification Items

Item 1. 2019 Business Report & Financial Statements Report. (Proposed by the Board of Directors)

Explanatory note :

1. The Company's 2019 annual individual and consolidated financial statements, including the Balance Sheet, Comprehensive Income Statement, Statement of Changes in Equity, and Statement of Cash Flows, has been completed and are commissioned to Independent Auditors Liu, Zhi-Meng and Jian-Zhi Wu 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: 2019 Appropriation of profit & loss

(Proposed by the Board of Directors)

Explanatory Note :

CHENG MEI MATERIALS TECHNOLOGY CORP.

2019 Appropriation of Profit & Loss

In New Taiwan Dollars

Items	Amount
The initial unappropriated retained earnings	\$1,890,165,596
Current net (loss) profits (EPS-1.03/share)	(688,558,502)
Determination of a 10% mandatory reserve	0
Determination of a special reserve (note)	<u>(229,330,401)</u>
other	<u>50,000</u>
Current distributable profits	972,326,693
Items to be allocated	
Shareholders' cash dividend	0
The end unappropriated retained earnings	<u>\$972,326,693</u>

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 NTD229,330,401.

Chairman : Ho, Jau-Yang

President : Ho, Jau-Yang

Accounting Officer : Lian, Wei-Chung

1. The net loss in 2019 is NTD 688,558,502 and the Board proposes not to issue shareholder dividends.
2. Please recognize and ratify.

Resolution :

Discussion Items

Item 1: To conduct the issuance of common shares through private placement, the issuance of new common shares through Global depositary receipt, the issuance of overseas, or domestic convertible bonds.

(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 Depositary 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: Amendment of Procedure of Loan to others.

(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. Submitted for discussion. (Please refer to Chinese-language version of handbook for Procedure of Loan to others.)

Resolution :

Item 3: Amendment of Procedure of Endorsement and Guarantees.

(Proposed by the Board of Directors)

1. For the necessity of the business operation, the company proposes to amend Procedures for Endorsement & Guarantee
2. Submitted for discussion. (Please refer to Chinese-language version of handbook for Procedure of Endorsement and Guarantees.)

Resolution :

Extemporaneous Motions

Meeting Adjourned

【2019 Business Report】

I. 2019 Business Report:

(I) The results of implementation of the business plan

Benefiting by the rapid expansion of mainland China, significant growth in revenue in 2019 was NT\$14.9 billion, an increase of 16.68% over 2018. Due to fierce market competition, and in the second of the 2019, the panel market encountered the serious environment, the results of operation still shows loss after taxes.

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

In Thousands of New Taiwan Dollars; %

Item	2019	2018	Ration of increase/decrease (%)
Operating revenue	14,896,250	12,767,162	16.68%
Operating gross loss	569,478	561,954	1.34%
Operating net loss	-450,166	-606,868	-25.82%
Annual net loss	-760,446	-1,048,146	-27.45%
Gross loss ratio	3.82%	4.40%	-13.15%
Operating net loss ration	-3.02%	-4.75%	-36.42%

In Thousands of New Taiwan Dollars %

Item	2019	2018	
Analysis of financial structure	Debt to asset ratio (%)	31.93	47.92
	Long-term fund to real estate, factory, and equipment ratio (%)	222.52	136.37
Analysis of debt-paying structure	ROA (%)	-3.51	-3.22
	ROE (%)	-6.37	-7.63
Analysis of profitability	Ratio to paid-in capital (%)	-11.10	-16.12
	Net loss ratio (%)	-5.10	-8.21
	After tax loss per share (NT\$)	-1.03	-0.98

Attachment 1

(III) Status of production and R&D

As of the end of 2019, there are four 1.5 front-end production line, one 1.5M front-end production line in Kunshan, and another 2.5M production line has been on the way to massive productions, development is as followed,

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
2. Develop new formulas to enhance the chemical and weather resistance of POL products.
3. Develop machines that are capable of enhancing the speed of production and improve manufacturing processes to strengthen the competitiveness of the Company's products.
4. Develop ultra-thin cell phone POL products for IPS that is characterized by high contrast, high transmittance, and low-end feeler-surface finish.
5. Develop vehicle-mounted POL products.

II. Future 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 combination that is more efficient 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.

(II) The Company's future strategy of development

In the second half of 2019, there were inventory adjustments of POL industry, so the overall demand decreased. According to IHS forecast, the recovery will be 2020-second quarter.

At present, China is still the major supported area in the world, also the highly valued area of the company. Suffering from 2019 trade war and 2020 COVID-19, the global economic environment impact seriously. In light of the above, the company will follow the solid and firm operational plans.

Chairperson 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 2019 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. 2020 Annual General Meeting

Independent Director: Kuo-Shi, Huang

Independent Director: Wei-Ting, Liu

March 27, 2020

2019 Consolidate financial statement and Report
of independent accountants

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

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

Key audit matters

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

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

Fair value measurement of investments in unlisted stock without active market

Description

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

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

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

How our audit addressed the matter

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

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

Impairment assessment of property, plant and equipment

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Liu, Zi-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2020

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

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

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

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

(Continued)

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

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

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

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

		Year ended December 31			
Items		2019		2018	
		AMOUNT	%	AMOUNT	%
4000	Net sales	\$ 8,071,052	100	\$ 8,242,816	100
5000	Costs of sales				
		(8,316,864)	(103)	(8,037,365)	(97)
5900	Gross loss (profit)	(245,812)	(3)	205,451	3
5920	Realized profit on from sales	-	-	16,641	-
5950	Gross loss (profit) from operations	(245,812)	(3)	222,092	3
	Operating expenses				
6100	Selling and marketing expenses	(82,241)	(1)	(114,338)	(1)
6200	General and administrative expenses	(184,620)	(2)	(145,972)	(2)
6300	Research and development expenses	(199,631)	(3)	(214,940)	(3)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	41	-	(1,628)	-
6000	Total operating expenses	(466,451)	(6)	(476,878)	(6)
6900	Loss from operations	(712,263)	(9)	(254,786)	(3)
	Non-operating income and expenses				
7010	Other income	94,523	1	94,398	1
7020	Other gains and losses	(39,332)	-	94,840	1
7050	Finance costs	(39,271)	-	(24,171)	-
7070	Share of profit (loss) of subsidiaries associates and joint ventures accounted for using equity method	9,971	-	(565,361)	(7)
7000	Total non-operating income and expenses	25,891	1	(400,294)	(5)
7900	Loss before income tax	(686,372)	(8)	(655,080)	(8)
7950	Income tax expense	(2,187)	-	-	-
8200	Loss for the year	(\$ 688,559)	(8)	(\$ 655,080)	(8)
	Other comprehensive income (loss)				
	Items that may not be reclassified subsequently to profit or loss				
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(\$ 41,024)	(1)	(\$ 61,333)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(17,891)	-	(62,940)	(1)
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translating of foreign financial statements	(170,366)	(2)	(77,033)	(1)
8300	Total other comprehensive loss	(\$ 229,281)	(3)	(\$ 201,306)	(2)
8500	Total comprehensive loss for the year	(\$ 917,840)	(11)	(\$ 856,386)	(10)
	Loss per share				
9750	Basic loss per share	(\$ 1.03)		(\$ 0.98)	
9850	Diluted loss per share	(\$ 1.03)		(\$ 0.98)	

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

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

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

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

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

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

(Continued)

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

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

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

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 consolidated balance sheets of Cheng Mei Materials Technology Corporation (formerly Chi Mei Materials Technology Corporation) and subsidiaries (collectively referred herein as the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” 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 Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

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

Impairment assessment of property, plant and equipment

Description

In terms of property, plant and equipment, refer to Note 4(16) for the relevant accounting policies, Note 5(2) for uncertainty of accounting estimates and assumptions and Note 6(9) 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 – Parent company only financial reports

We have audited the parent company only financial statements of Cheng Mei Materials Technology Corporation as at and for the years ended December 31, 2019 and 2018, on which we have expressed an unqualified opinion and an opinion with explanatory paragraphs on the significant uncertainty for operating as a going concern and other matter on these parent company only financial statements, respectively.

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.

Liu, Zi-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 25, 2020

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
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 192,942	1	\$ 3,105,426	11
1110	Current financial assets at fair value through profit or loss	6(2)	571	-	84,525	-
1136	Current financial assets at amortised cost	6(4) and 8	202,507	1	1,313,826	5
1150	Notes receivable, net	6(5) and 8	-	-	186,620	1
1160	Notes receivable, net - related parties	6(5) and 7	-	-	18,806	-
1170	Accounts receivable, net	6(5)	417,955	3	4,199,939	16
1180	Accounts receivable, net - related parties	6(5) and 7	1,933,610	14	197,791	1
1200	Other receivables	6(7)	58,028	-	114,977	1
1210	Other receivables - related parties	7	805,391	6	88,256	-
1220	Current tax assets	6(26)	1,006	-	1,230	-
130X	Inventories	5 and 6(6)	2,146,069	15	3,883,297	14
1410	Prepayments		71,868	1	259,968	1
1479	Other current assets	6(12)	18,282	-	43,882	-
11XX	Total current assets		<u>5,848,229</u>	<u>41</u>	<u>13,498,543</u>	<u>50</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	5, 6(3) and 7	169,740	1	215,727	1
1550	Investments accounted for using equity method	6(8)	3,638,064	26	-	-
1600	Property, plant and equipment	5, 6(9) and 8	4,358,111	31	10,693,045	39
1755	Right-of-use assets	6(10)	30,996	-	-	-
1780	Intangible assets	6(11)	32,087	-	91,846	-
1840	Deferred tax assets	6(26)	76,381	1	112,646	-
1915	Prepayments for equipment	7	50,775	-	1,567,878	6
1990	Other non-current assets	6(12)	9,124	-	1,054,232	4
15XX	Total non-current assets		<u>8,365,278</u>	<u>59</u>	<u>13,735,374</u>	<u>50</u>
1XXX	Total assets		<u>\$ 14,213,507</u>	<u>100</u>	<u>\$ 27,233,917</u>	<u>100</u>

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(5)(13) and 8	\$ 2,788,425	20	\$ 5,441,325	20
2120	Current financial liabilities at fair value through profit or loss	6(2)	-	-	2,681	-
2130	Contract liabilities	6(20) and 7	22,169	-	33,760	-
2150	Notes payable		-	-	156,037	-
2170	Accounts payable		1,072,008	8	2,350,148	9
2180	Accounts payable - related parties	7	1,240	-	375,639	1
2200	Other payables	6(14)	423,098	3	1,076,211	4
2230	Current tax liabilities	6(26)	-	-	147	-
2280	Current lease liabilities		55	-	-	-
2320	Current portion of long-term bank loans	6(15)	200,000	1	3,170,244	12
2399	Other current liabilities	6(31)	8,890	-	23,360	-
21XX	Total current liabilities		<u>4,515,885</u>	<u>32</u>	<u>12,629,552</u>	<u>46</u>
Non-current liabilities						
2540	Long-term borrowings	6(15)	-	-	202,996	1
2570	Deferred tax liabilities	6(26)	22,674	-	22,674	-
2580	Non-current lease liabilities		145	-	-	-
2645	Guarantee deposits		40	-	49	-
2670	Other non-current liabilities	6(31)	-	-	193,877	1
25XX	Total non-current liabilities		<u>22,859</u>	<u>-</u>	<u>419,596</u>	<u>2</u>
2XXX	Total liabilities		<u>4,538,744</u>	<u>32</u>	<u>13,049,148</u>	<u>48</u>
Equity attributable to the owners of the company						
Share capital						
3110	Common shares	6(17)	6,657,285	47	6,657,285	24
Capital surplus						
3200	Capital surplus	6(18)	944,026	7	851,689	3
Retained earnings						
		6(19)				
3310	Legal reserve		1,085,124	8	1,085,124	4
3320	Special reserve		447,530	3	246,224	1
3350	Unappropriated retained earnings		1,201,658	8	2,091,473	8
Other equity interest						
3400	Other equity interest		(676,861)	(5)	(447,530)	(2)
31XX	Total equity attributable to owners of the Company		<u>9,658,762</u>	<u>68</u>	<u>10,484,265</u>	<u>38</u>
36XX	Non-controlling interest	4(3) and 6(28)	<u>16,001</u>	<u>-</u>	<u>3,700,504</u>	<u>14</u>
3XXX	Total equity		<u>9,674,763</u>	<u>68</u>	<u>14,184,769</u>	<u>52</u>
Significant contingent liabilities and unrecognized contract commitments						
		9				
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 14,213,507</u>	<u>100</u>	<u>\$ 27,233,917</u>	<u>100</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Net sales	6(20) and 7	\$ 14,896,250	100	\$ 12,767,162	100
5000	Cost of sales	6(6)(11)(24)(25) and 7	(14,326,772)	(96)	(12,205,208)	(96)
5900	Gross loss		<u>569,478</u>	<u>4</u>	<u>561,954</u>	<u>4</u>
	Operating expenses	6(11)(24)(25) and 12(2)				
6100	Selling and marketing expenses		(255,549)	(2)	(309,435)	(2)
6200	General and administrative expenses		(390,150)	(3)	(314,634)	(2)
6300	Research and development expenses		(459,168)	(3)	(449,827)	(4)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9		<u>85,223</u>	<u>1</u>	<u>(94,926)</u>	<u>(1)</u>
6000	Total operating expenses		<u>(1,019,644)</u>	<u>(7)</u>	<u>(1,168,822)</u>	<u>(9)</u>
6900	Loss from operations		<u>(450,166)</u>	<u>(3)</u>	<u>(606,868)</u>	<u>(5)</u>
	Non-operating income and expenses					
7010	Other income	6(21)	119,006	1	99,516	1
7020	Other gains and losses	6(2)(22)	(73,582)	(1)	(274,928)	(2)
7050	Finance costs	6(9)(23)	(332,685)	(2)	(290,580)	(2)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(8)	<u>(1,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>(288,682)</u>	<u>(2)</u>	<u>(465,992)</u>	<u>(3)</u>
7900	Loss before income tax		<u>(738,848)</u>	<u>(5)</u>	<u>(1,072,860)</u>	<u>(8)</u>
7950	Income tax benefit	6(26)	<u>(21,598)</u>	<u>-</u>	<u>24,714</u>	<u>-</u>
8200	Loss for the period year		<u><u>(\$ 760,446)</u></u>	<u><u>(5)</u></u>	<u><u>(\$ 1,048,146)</u></u>	<u><u>(8)</u></u>
	Other comprehensive income (loss)					
	Items that may not be reclassified subsequently to profit or loss					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	<u>(\$ 58,915)</u>	<u>(1)</u>	<u>(\$ 124,273)</u>	<u>(1)</u>
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating of foreign financial statements		<u>(308,425)</u>	<u>(2)</u>	<u>(141,173)</u>	<u>(1)</u>
8300	Total other comprehensive loss		<u><u>(\$ 367,340)</u></u>	<u><u>(3)</u></u>	<u><u>(\$ 265,446)</u></u>	<u><u>(2)</u></u>
8500	Total comprehensive loss for the year		<u><u>(\$ 1,127,786)</u></u>	<u><u>(8)</u></u>	<u><u>(\$ 1,313,592)</u></u>	<u><u>(10)</u></u>
	Net loss attributable to					
8610	Owners of the Company		<u>(\$ 688,559)</u>	<u>(5)</u>	<u>(\$ 655,080)</u>	<u>(5)</u>
8620	Non-controlling interests		<u>(71,887)</u>	<u>-</u>	<u>(393,066)</u>	<u>(3)</u>
	Net loss		<u><u>(\$ 760,446)</u></u>	<u><u>(5)</u></u>	<u><u>(\$ 1,048,146)</u></u>	<u><u>(8)</u></u>
	Total comprehensive loss attributable to					
8710	Owners of the Company		<u>(\$ 917,840)</u>	<u>(7)</u>	<u>(\$ 856,386)</u>	<u>(6)</u>
8720	Non-controlling interests		<u>(209,946)</u>	<u>(1)</u>	<u>(457,206)</u>	<u>(4)</u>
	Net loss		<u><u>(\$ 1,127,786)</u></u>	<u><u>(8)</u></u>	<u><u>(\$ 1,313,592)</u></u>	<u><u>(10)</u></u>
	Loss per share	6(27)				
9750	Basic loss per share		<u>(\$ 1.03)</u>	<u>(\$ 0.98)</u>		
9850	Diluted loss per share		<u>(\$ 1.03)</u>	<u>(\$ 0.98)</u>		

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

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

	Notes	Equity attributable to owners of the parent				Other equity interest			Total	Non-controlling interest	Total equity
		Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
Year ended December 31, 2018											
Balance at January 1, 2018		\$ 6,657,285	\$ 856,768	\$ 1,085,124	\$ 202,973	\$ 2,789,804	\$ 246,224	\$ -	\$ 11,345,730	\$ 1,935,541	\$ 13,281,271
Net loss for the year		-	-	-	-	(655,080)	-	-	(655,080)	(393,066)	(1,048,146)
Other comprehensive loss for the year	6(3)	-	-	-	-	-	(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	6(19)	-	-	-	43,251	(43,251)	-	-	-	-	-
Difference between consideration and carrying amount of the subsidiaries' disposal	6(18)(28)	-	3,714	-	-	-	-	-	3,714	2,286	6,000
Changes in ownership interests in subsidiaries	6(18)(28)	-	(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
Year ended December 31, 2019											
Balance at January 1, 2019		\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	\$ 323,257	\$ 124,273	\$ 10,484,265	\$ 3,700,504	\$ 14,184,769
Net loss for the year		-	-	-	-	(688,559)	-	-	(688,559)	(71,887)	(760,446)
Other comprehensive loss for the year	6(3)	-	-	-	-	-	(170,366)	(58,915)	(229,281)	(138,059)	(367,340)
Total comprehensive loss for the year		-	-	-	-	(688,559)	(170,366)	(58,915)	(917,840)	(209,946)	(1,127,786)
Distribution of 2018 earnings		-	-	-	-	-	-	-	-	-	-
Special reserve	6(19)	-	-	-	201,306	(201,306)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	50	-	(50)	-	-	-
Changes in ownership interests in subsidiaries	6(18)(28)	-	92,337	-	-	-	-	-	92,337	780,235	872,572
Decrease in non-controlling interests	6(28)	-	-	-	-	-	-	-	-	(4,254,792)	(4,254,792)
Balance at December 31, 2019		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	\$ 493,623	\$ 183,238	\$ 9,658,762	\$ 16,001	\$ 9,674,763

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 738,848)	(\$ 1,072,860)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(9)(10)(24)	968,586	1,096,227
Amortization expense	6(11)(24)	46,828	54,051
Expected credit (gain) loss	12(2)	(85,223)	94,926
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(22)	35,062	(5,121)
Interest expense	6(23)	332,685	290,580
Interest income	6(21)	(32,748)	(28,568)
Dividend income	6(2)(21)	(712)	(430)
Share of loss of associates and joint ventures accounted for using equity method	6(8)	1,421	-
Loss on disposal of property, plant and equipment	6(22)	5,294	7,315
Property, plant and equipment transferred to expenses		-	8,221
Loss on disposal of investments	6(22)(28)	(140,450)	-
Impairment loss on financial assets	6(22)	49,000	-
Gain arising from lease modification	6(10)(22)	(110)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		112,056	(55,936)
Notes receivable		43,131	297,772
Notes receivable - related parties		18,806	(14,241)
Accounts receivable		2,091,097	(1,138,634)
Accounts receivable - related parties		(1,964,923)	(197,791)
Other receivables		127,047	116,393
Other receivables due from related parties		33,702	-
Inventories		658,092	(1,600,587)
Prepayments		(281,085)	354,227
Other current assets		(182,846)	64,639
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(65,845)	(23,861)
Current contract liabilities		(11,591)	24,281
Notes payable		(156,037)	23,574
Accounts payable		(421,940)	375,797
Accounts payable - related parties		660,394	375,639
Other payables		(70,391)	129,773
Other current liabilities		(1,899)	(1,729)
Cash inflow (outflow) generated from operations		1,028,553	(826,343)
Interest received		40,362	26,538
Dividends received		712	430
Interest paid		(345,677)	(281,652)
Income tax paid		(1,389)	(10,985)
Income tax refund receivable		469	3
Net cash flows from (used in) operating activities		723,030	(1,092,009)

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	(\$ 14,478)	(\$ 340,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3) and 12(3)	1,550	-
Decrease in current financial assets at amortised cost		(48,130)	(1,037,562)
Increase in other receivables		-	(68,681)
Increase in other receivables - related parties		(750,837)	(167,329)
Acquisition of property, plant and equipment	6(29)	(3,134,115)	(1,346,543)
Proceeds from disposal of property, plant and equipment		2,240	75,253
Acquisition of intangible assets	6(11)	(15,944)	(40,970)
Increase in equipment prepayments		(117,442)	(1,450,214)
Decrease in refundable deposits		-	2,834
Increase in other non-current assets		(24,109)	(587,008)
Proceeds from disposal of subsidiaries	6(28)	(426,496)	-
Net cash flows used in investing activities		(4,527,761)	(4,960,220)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans	6(30)	12,051,891	17,362,686
Repayments of short-term loans	6(30)	(13,492,388)	(15,798,012)
Decrease in short-term notes and bills payable	6(30)	-	(100,000)
Payments of principal portion of lease liabilities	6(30)	(14,226)	-
Proceeds from long-term debt	6(30)	7,598,783	1,237,006
Repayments of long-term debt	6(30)	(6,500,009)	(606,117)
Decrease in guarantee deposits received	6(30)	(9)	(122)
(Decrease) increase in other non-current liabilities		(17,969)	193,877
Proceeds from disposal of ownership interests in subsidiaries (without losing control)	6(28)	-	6,000
Change in non-controlling interests	6(28)	872,572	2,211,090
Net cash flows from financing activities		498,645	4,506,408
Effect of exchange rate changes on cash and cash equivalents		393,602	153,951
Net decrease in cash and cash equivalents		(2,912,484)	(1,391,870)
Cash and cash equivalents at beginning of year	6(1)	3,105,426	4,497,296
Cash and cash equivalents at end of year	6(1)	\$ 192,942	\$ 3,105,426

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

**ARTICLES OF INCORPORATION
OF
CHENG MEI MATERIALS TECHNOLOGY CORP.
(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 "Chi 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
 7. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- 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\$12,000,000,000), divided into one thousand two hundred million (1,200,000,000) 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.

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 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.
- Article 15-2 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 15-3 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 16 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 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 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.

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, on Feb. 8, 2017 for the fifteenth time, on June 22, 2018 for the sixteen time, and on June 28, 2019 for the seventeen 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 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

Appendix 2 entitled to make a speech on each motion.

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 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.

**Cheng Mei Materials Technology Corp.
Shareholdings of All Directors**

- I. As of the end date (March 2, 2020) 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 (March 2, 2020) 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	5,610,906	0.84%
Director	Innolux Co., Ltd	57,211,305	8.59%
Director	Beyond PV	1,000	0%
Representative of Innolux	Chao-Hsien Liu	0	0%
Representative of Beyond PV	Wei-Lun Lu	0	0%
Representative of Beyond PV	Wei-Ping Yeh	0	0%
Independent director	Kuo-Shih Huang	0	0%
Independent director	Wei-Ting Liu	0	0%
total		62,823,211	9.43%

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.

Appendix 4

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 receive two proposals from shareholder during the application period (from Feb 24, 2020 to March 6, 2020).
Item one, not list in agenda in this AGM, regarding the shareholding of proposed shareholder less than 1%. Item 2, not list in agenda in this AGM, regarding to IND Yen-Sung Chen resign on March 17, 2020.

- III. Information on remuneration of employees and directors:
Not applicable, because the Company did not distribute numeration for employees and directors in 2019.