

Cheng Mei Materials Technology Corporation

2018 Annual Report

Prepared by CMMT Corp.

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You may view the annual report at the following site:

- (1) M.O.P.S. designated by the competent authority: <http://mops.twse.com.tw/>
- (2) the Company's website: www.cmmt.com.tw

1. **Spokesman and Deputy Spokesman of the Company:**
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Tel. No.: (06)5889988
3. **Stock Transfer Agency and Contact Info.:**
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Address: B1, No.96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 10489, Taiwan (R.O.C.)
Phone: (02)2504-8125
Website: <http://www.taishinbank.com.tw>
4. **Name, Firm Name, Address, Website and Tel. No. of independent auditor Certifying Financial Statements of Most Recent Year**
Firm name: PWC
Name of independent auditor: Yi-Zhang, Lin, Zhi-Meng, Liu, CPA
Address: 22F, 95Minzu 2nd Rd, Kaohsiung Taiwan, 80048
Tel. No.: (03)578-0899
Website: www.pwc.tw
5. **Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on the offshore securities:**
Security Name: Global Depositary Receipts, GDR
Singapore Exchange Ltd.: <http://www.sgx.com>
6. **Company's website:**
www.cmmt.com.tw

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I. 2018 Messges from the Chairman

Dear Shareholders

(I) Operational outcome

Paying attribute to the increase of KSCMMT's productivity, our sales gained a significant growth in 2018 comparing to 2017. Accordingly, although the Company's operating revenues from polarizers in 2018 increased slightly in comparison to that in 2017, the Company still realized a loss in 2018 due to the overall competition of the polarizer market.

(II) Budget execution status, financial income and expenditure and profitability analysis

Unit: NT\$ 1,000 dollars; %

Item	2018	2017	Increase (decrease) change ratio (%)
Operating revenue	12,767,162	9,878,148	29.25
Gross profit or loss	561,954	-749,112	175.02
Net operating income or loss	-606,868	-1,671,123	63.69
Net loss in 2017	-1,048,146	-1,550,026	32.38
Gross loss ratio	4%	-8%	12
Net operating income or loss ratio	-5%	-17%	12

Unit: NT\$ 1,000

Item		2018	2017	
Financial structure analysis	Debt to asset ratio (%)	47.92	43.38	
	Long term fund to property, plant and equipment ratio (%)	136.37	118.90	
Solvency structure analysis	Rate of return on total assets (%)	3.22	-6.56	
	Return on equity (%)	-7.63	-11.80	
Profitability analysis	Ratio To paid-in capital (%)	Net income or loss before tax	-16.12	-25.28
	Dead loss ratio (%)		-8.21	-15.69
	Earnings or Losses Per Share (dollars)		-0.98	-2.18

The annual net revenues of the Company in 2018 was NT\$ 12.7 billion, an increase of 29.25% comparing with the previous year, and the annual net loss is NT\$ 1.48 billion, which accounts for approximately 8.21% of the revenues in total and a decrease of 32.38% when compared with the previous year. Total asset value reached NT\$ 27.34 billion, and the debt to total asset ratio is 47.92%; the overall financial structure is acceptable.

(III) Production and research and development status

The products of the Company have gained a promising share in the market; therefore, in the future, in addition to stabilizing the production capacity of polarizers, new products will be developed continuously in order to achieve the objective of diversity of products.

1. With the growth of shipments of TV LCDs, the demand for large TV polarizers also increases. To cope with the market demand, the weight of polarizer products for large TV is adjusted higher accordingly and the research and development direction will head towards the production of polarizers with the characterized by high contrast, high transmissivity, resistance to high temperature and high humidity, etc. in order to provide products of high quality and low costs to customers such that the competitive advantages of products of Cheng Mei Materials are increased.
2. The development and production of an ultra-thin polarizer exclusive for IPS mobile phones with characteristics like high-contrast, high-penetration and low-rank touch-surface treatment.
3. Development of new recipes to increase the optical and weather resistance characteristics of polarizer products.
4. Research and development as well as manufacturing process with increased production machine speed as the improvement goals in order to significantly increase the product competitiveness of the Company.
5. Develop and manufacture vehicle onboard polarizer products.
6. Develop and manufacture polarizers for OLED of small and medium sizes.

The Company will continue to obtain the market demand and trend information and perform research and development as well as manufacturing of relevant products according to the future market demands at all times in order to achieve the objective of product diversity and in light of closely associating the product characteristics of the Company with the industry.

II. Domestic and international market plan

(I) Operating principle and production and sale policy

The Company will continue to establish closer product sales and supply channels with the existing customers and to further develop new customers. The Company will also readily obtain market information on the supply and demand of polarizers, adjust production and product sales in combination more efficiently, ensure maximum flexibility of production and sales cooperation of the Company along with reasonable level of inventory, cooperate with the demands of customers and technical developments as well as manufacture and sell products satisfying the demands of customers in order to ensure that the Company achieves the goal of operating profits.

(II) Expected sales volume

The Company's sales are based on the LCD produced and sold to main customers and the historical sales performance. In 2018, there are many LCD firms joining the industry in China. As productivity gradually increases, the market demand of polarizers will increase sharply. Besides, as the whole-progress polarizer firm with the front-end process included and invested by Chimei Materials Technology Corp. in Kunshan has the advantage of exemption from customs duty, the Company continued to expand the new customer base in China, occupied the polarizer market in Mainland China, and coped with the overall productivity in the supply side. Thus, the polarizer sales volume of Chimei Materials Technology Corp. still has growth energy.

III. Company future development strategy

Polarizer is a key industry under the administrative support by the Chinese government. Furthermore, to cope with the new productivity demands continuously made by the various giant LCD manufacturers in China, the Line 1 Kunshan plant of the Company in cooperation with the Chinese investment has entered into the mass production stage at Q2 of 2017. In terms of the taxation basic (customs) discounts, it is able to readily supply products to meet the production demands of local Chinese LCD manufacturers. The sales to Chinese customers are expected to increase in 2018. In addition, as the 2.5 meters wide No. 2 Line authorized technically by Nitto Denko Corporation continued to make progress, production is expected to increase to another level after entering into production in 2019 to meet the Company's long-term goal of dispersing sales percentage of customers.

Chairman Jau-Yang Ho

President Jau-Yang Ho

Accounting Supervisor Wei-Chung Lian

Date: March 19, 2018

II. Company profile

1. Date of Incorporation: May 17, 2005

2. Company history:

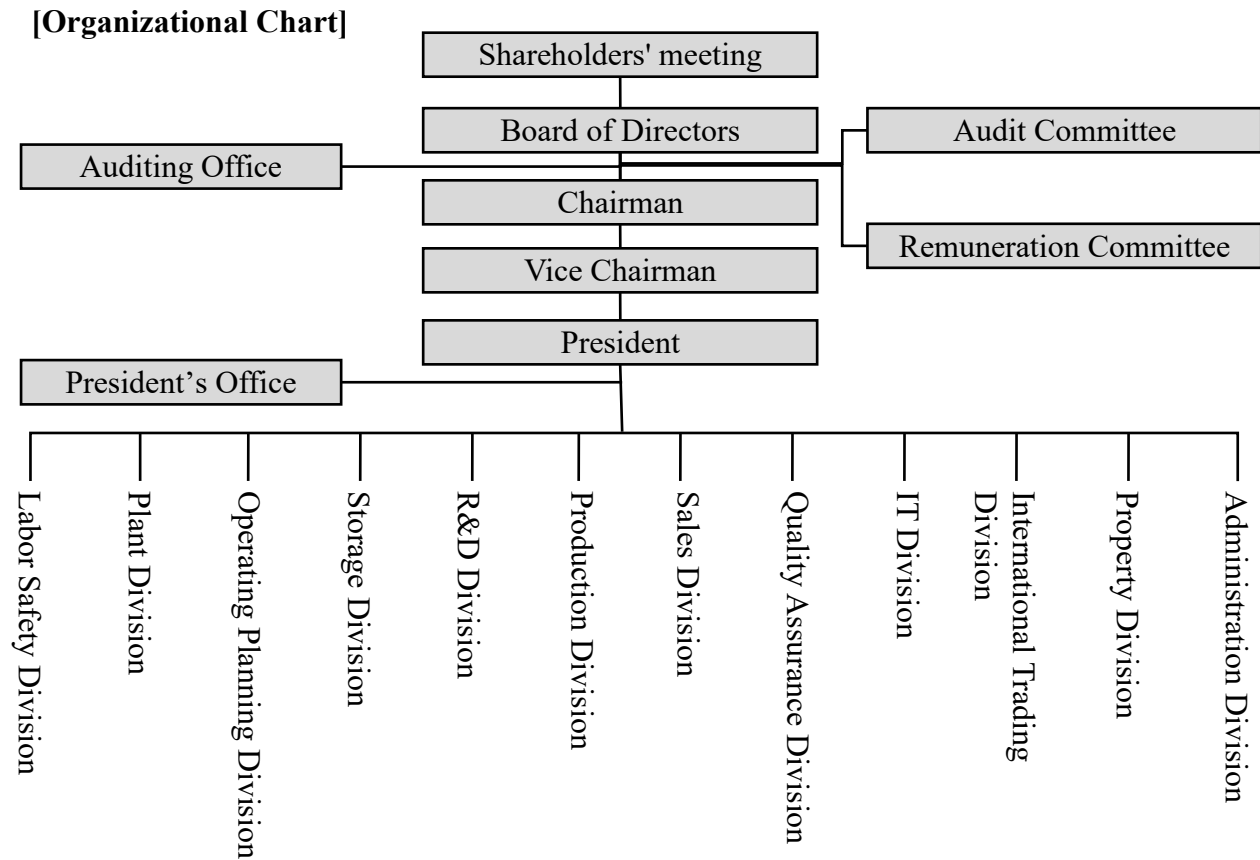
May 2005	Incorporated as Chimei Materials Technology Corp., with the paid-in capital in the amount of NT\$350,000 thousand, re-invested by the Chimei Group.
June 2005	Output of the first piece of Pilot Polarizer
November 2005	Internal presentation of the proto-type Polarizer of the quality and specifications equivalent to those of optical products circulating in the market
November 2005	Capital increase in cash by NT\$650,000 thousand (Change of capital approved by the Ministry of Economic Affairs: November 28, 2005), and paid-in capital increased as NT\$1,000,000 thousand.
February 2006	Incorporated Chimei Materials Technology Corp. (Ningbo) (February 6, 2006), with the paid-in capital in the amount of NT\$13,000 thousand, a company 100% invested by Chimei Materials Technology Corp.
June 2006	Capital increase in cash by NT\$1,500,000 thousand (Change of capital approved by the Ministry of Economic Affairs: July 7, 2006), and paid-in capital increased as NT\$2,500,000 thousand.
October 2006	Completion of Plant No. 1 in Taiwan and acquisition of occupation permit (October 30, 2006)
March 2007	Mass production of 1st front-end production line in Taiwan
April 2007	Acquisition of ISO9001:2000 quality certification Acquisition of QC080000:2005 green product management system certification
May 2007	Mass production of 2nd front-end production line in Taiwan
October 2007	Capital decrease in cash by NT\$1,000,000 thousand and capital increase in cash by 800,000 thousand (Change of capital approved by the Ministry of Economic Affairs: November 19, 2007), and paid-in capital amounting to NT\$2,300,000 thousand.
December 2007	Operating revenue amounting to NT\$600 million per single month, and break even achieved in Taiwan
December 2007	Mass production of 1st front-end production line in Ningbo, China
January 2008	Acquisition of ISO 14001 2004 environmental protection system certificate in Taiwan. Acquisition of OHSAS 18001 1999 occupational safety and health management system certificate in Taiwan
March 2008	Construction and piling of the Company's 2nd Polarizer Plant in Taiwan
April 2008	Installation of machine at 2nd back-end production line in Ningbo, China
May 2008	Capital increase in cash by NT\$550,000 thousand (Change of capital approved by the Ministry of Economic Affairs: June 12, 2008), and paid-in capital amounting to NT\$2,850,000 thousand.
July 2008	Mass production and shipment of 1st back-end production line in Ningbo, China
March 2009	Acquisition of OHSAS 18001 2007 occupational safety and health management system certificate in Taiwan
October 2009	Acquisition of ISO9001:2008 quality certification
November 2009	Capital increase in cash by NT\$1,000,000 thousand (Change of capital approved by the Ministry of Economic Affairs: December 17, 2009), and paid-in capital amounting to NT\$3,850,000 thousand.
November 2009	Installation of machine at 3rd front-end production line in Taiwan
December 2009	Test run at 3rd front-end production line in Taiwan
January 2010	Completion of Plant No. 2 in Taiwan and acquisition of occupation permit (January 26, 2010)
February 2010	Mass production of 3rd front-end production line in Taiwan
July 2010	Application for public offering

August 2010	Registration of trading of emerging stock
September 2010	Incorporated CHIMEI VISUAL TECHNOLOGY CORPORATION (September 10, 2010), with the paid-in capital in the amount of NT\$25,500 thousand, a company wholly invested in by Chimei Materials Technology Corp.
December 2010	Installation of machine at 4th front-end production line in Taiwan
April 2011	Mass production of 4th front-end production line in Taiwan Listed on TWSE Listed on TWSE
October 2011	Capital increase in cash by NT\$235,200 thousand (Change of capital approved by the Ministry of Economic Affairs: November 4, 2011), and paid-in capital amounting to NT\$4,431,700 thousand.
August 2012	Capital decrease in cash by NT\$480,000 thousand (Change of capital approved by the Ministry of Economic Affairs: September 17, 2012), and paid-in capital amounting to NT\$4,911,700 thousand.
February 2014	The board of directors approved the motion for establishment of the front-end and back-end Polarizer plants in Kunshan City, China.
March 2014	Signed the agreement for investment in establishment of plant with the relevant joint venture in Kunshan.
March 2014	Incorporated Chimei Investment Corp. (March 7, 2014), with the paid-in capital in the amount of US\$5,000, a company 100% invested by Chimei Materials Technology Corp.
April 2014	Incorporated Chimei Trading Corp. (April 14, 2014), with the paid-in capital in the amount of NT\$360 thousand, a company 100% invested by Chimei Materials Technology Corp.
May 2014	Incorporated Chimei Materials Technology Corp. (Kunshan) (13 May, 2014), with the paid-in capital in the amount of NT\$73,500 thousand, a company wholly invested by Chimei Materials Technology Corp. Note: According to the investment project, the total capital for incorporation of Chimei Materials Technology Corp. (Kunshan) was US\$150,000 thousand, in which the Company held 49% of the equity. The investment amount was US\$73,500 thousand. Until December 31, 2014, the paid-in capital of Chimei Materials Technology Corp. (Kunshan) was 73,500 thousand, only invested by the Company. For the time being, the Company's indirect shareholdings are 100%.
August 2014	Capital decrease by NT\$245,585 thousand by recapitalization of earnings for issuance of new shares (Change of capital approved by the Ministry of Economic Affairs: September 3, 2014), and paid-in capital amounting to NT\$5,157,285 thousand.
October 2015	Signed the investment agreement and changed the joint venture of Chimei Materials Technology Corp. (Kunshan) into Hangzhou Jinjiang Group with 46% shareholding and Zhejiang Renyuan Import and Export Co., Ltd. with 5% shareholding.
March 2017	The motion for the Company in capital increase through capital increase in cash to issue common shares and to issue overseas deposit receipt certificates (DRC) has been approved by Department of Foreign Exchange, Central Bank of the Republic of China via its approval letter under Tai-Yang-Wai-Wu-Zi No. 10600092680 dated March 8, 2017 and Financial Supervisory Commission via its approval letter under Jin-Guan-Zhen-Fa-Zi No. 1060008354 dated March 30, 2017.
September 2017	The Company issued new shares and engaged in the issuance of GDRs, formally went listed in Singapore Exchange Ltd. on September 15, 2017.
November 2017	The Company signed with Nitto Denko Corporation for the cooperative project of the Polarizer Technology License. The Kunshan plant of Chimei Materials Technology Corp. has the owning right of three 2,500mm wide production lines, which total JPS 7.5 billion.

III. Corporate governance report

1. Organization:

(1) Organizational structure:



(2) Operations by department:

Date of data: May 5, 2018

Job title	Functions
President's Office	(1) Help the Company establish the business system and evaluate proposals submitted by various departments to help the Company make decision. (2) Plan and boost the various businesses managed by the Company.
Auditing Office	Responsible for boosting operations of the audit.
Labor Safety Division	Responsible for boosting operations of the labor safety management.
Plant Division	Responsible for boosting various plant businesses.
Operating Planning Division	Responsible for boosting the business of biotechnology management, costs and IE.
Storage Division	Responsible for boosting various storage businesses.
R&D Division	Responsible for boosting R&D technology.
Production Division	Responsible for boosting the front-end and back-end production technology. Responsible for boosting the equipment and technology/optical equipment.
Sales Division	Responsible for marketing products and boosting customers' management in the market.
Quality Assurance Division	Responsible for boosting quality assurance.
IT Division	Responsible for boosting IT operations.
International Trading Division	Responsible for boosting operations of the procurement and suppliers' management
Property Division	Responsible for boosting operations of the procurement and suppliers' management
Administration Division	Responsible for boosting operations of financial accounting and administration, and administrative advisors' work.

2. Information about directors (including independent directors), Presidents, Vice Presidents, Assistant Vice Presidents, heads of each department and branch:

(1) Information on required professional knowledge and independence of directors (including independent directors) and major shareholders and directors (including independent directors) of corporate shareholders:

1. Information about directors(including independent directors):

Record Date: April 30, 2019; Unit: shares

Title	Nationality or place of registration	Name	Gender	Date elected / appointed	Term	First Elected Date	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements	Concurrent positions in the Company and other companies	Spouse or relatives of second degree or closer acting as other supervisors, directors or independent directors		
							shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholdings ratio			Job title	Name	Relationship
Chairman	R.O.C.	Jau-Yang Ho	Male	2018.04.26 (Note)	3	November 25, 2011	5,720,906	0.86%	5,720,906	0.86%	109,548	0.02%	0	0%	National Cheng Kung University Bachelor, Department of Chemical Engineering President of Chimei Corporation Vice Chairman of Chimei Optoelectronics Corporation	(1) Chairman of Chi Mei Visual Technology Corporation (2) Chairman of Kunshan Chi Mei Materials Technology Corporation	N/A	N/A	N/A
Vice Chairperson	R.O.C.	Mei-Li Yeh	Female	2018.06.22 (Note)	3	2016.06.22	0	0%	0	0%	0	0%	0	0%	(1)Guanghua School of Management,Peking University (2)Chairperson of Concord Futures Co.,Ltd (3)Founder of Polai Securities	None	N/A	N/A	N/A
Director	R.O.C.	Chun-Hsiung Chen	Male	2017.06.21 (Note)	3	2016.06.20	212,000	0.03%	0	0%	0	0%	0	0%	Yuan Ze University Master, Department of Chemical Engineering Koatech Technology Corporation Special Assistant to President Wei-Jing Optoelectronic Technology Co.,Ltd Special Assistant to CEO Advisor of Shenzhen Sunypol Optoelectronics Co., Ltd Advisor of Chimei Materials Technology Corp.	None	N/A	N/A	N/A
Director	R.O.C.	Ki-Pan Liang	Male	2017.06.21 (Note)	3	2016.06.20	0	0%	0	0%	0	0%	0	0%	(1)Master of Computer Science, MIT (2)Manager, Data Systems Consulting Co., Ltd.	None	N/A	N/A	N/A
Director	R.O.C.	Innolux.Co.,Ltd Jeffery Yang	Legal Entity	2019.04.26	3	2019.04.26	57,211,305	8.6%	57,211,305	8.6%	0	0%	0	0%	Head of Factory, AUO Co.,Ltd	None			
Director	R.O.C.	Beyond PV Lai-Huang Lo	Legal Entity	2019.04.26	3	2019.04.26	1,000	0%	1,000	0%	0	0%	0	0%	U.K. University of Manchester Master of Business Administration Anderson Industrial Corp. Vice President of operation in the Europe and Americas E-Ton Solar Tech Co., Ltd. Vice President and CFO BNP Paribas Taipei Branch Executive Director Executive Director of Bank of America Taipei Branch				
Director	R.O.C.	Beyond PV Wei-Lun Lu	Legal Entity	2019.04.26 (Note)	3	2017.06.21	1,000	0%	1,000	0%	0	0%	0	0%		N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Wei-Ting Liu	Male	2017.06.21 (Note)	3	2017.02.08	0	0%	0	0%	0	0%	0	0%	Master, Department of Law of Graduate School of National Chung Cheng University Doctoral candidate pf Beijing University of Political Science and Law Level Four Special Civil Service Examination for judiciary Court clerk of Shihlin District Court, Taiwan	(1) Supervisor of Dongchang Chemical Corp. (2) Director of Liqin International Consultant Corp. (3) Arbitrator of R.O.C. Arbitration Association (4) Patent & Trademark Attorney (5) Attorney, President of Taipei Law Firm	N/A	N/A	N/A

Note: The Company's general shareholders' meeting on June 21, 2017 resolved and passed the re-election of all directors. Mr. Jau-Yang Ho, Mr. Chun-Hsiung Chen, Representative of Chimei Corporation, Mr. Long-Jun Lin and Mr. Chi-Pan Liang were elected to be the directors. Mr. Wei-Ting Liu, Mr. Lai-Huang Lo and Mr. Hsiao-Ken Chuang were elected to be the independent directors. However, Director Chimei Corporation and its Representative, Mr. Long-Jun Lin, resigned on November 9, 2017 due to operation strategy. Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason.

2. Major shareholders of corporate shareholders: not applicable

3. If the major shareholder is also a corporate entity, please also specify its major shareholders: not applicable

4. Whether or not the directors (including independent directors) have no less than five years' experience in business, law, finance or business and meet the following qualifications:

April 30, 2019

Qualifications	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note)										Number of public companies where the person holds the title as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	A judge, public prosecutor, attorney-at-law, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.	Required work experience in commerce, law, finance, accounting or others required by the business of the Company	1	2	3	4	5	6	7	8	9	10	
Name														
Jau-Yang Ho (Note 1,4)			V			V	V	V	V	V	V	V	V	N
Mei-Li Yeh (Note 2)			V			V	V	V	V	V	V	V	V	N
Chun-Hsiung Chen (Note 1)			V			V	V	V	V	V	V	V	V	N
Ji-Pan Liang (Note 1)			V	V	V	V	V	V	V	V	V	V	V	N
Lai-Huang Lo Representing Beyond PV Co.,Ltd (Note 4)			V		V	V	V	V	V	V	V	V	V	N
Wei-Lun Lu Representing Beyond PV Co.,Ltd(Note 4)			V	V	V	V	V	V	V	V	V	V	V	N
Jefferey Yang Representing Innolux Co.,Ltd (Note 4)			V	V	V	V		V	V	V	V	V	V	N
Wei-Ting Liu (Note1)	V	V	V	V	V	V	V	V	V	V	V	V	V	N
Eddie Chen (Note 4)			V	V	V	V	V	V	V	V	V	V	V	N
Kuo-Shih Huang (Note 4)		V	V	V	V	V	V	V	V	V	V	V	V	3

Remark: The respective director (including independent directors) who meet said qualifications 2 years before the assumption of office or at the time of assumption office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates (excluding the capacity of independent director appointed by the Company, its parent company or subsidiaries pursuant to the Law or the local laws).
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship, or a person in compliance with any of the preceding three sub-paragraphs.
- (5) Not a director (including independent director) or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that holds shares ranking within the top five in holdings.
- (6) Not a director, independent director (supervisor), manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, as an owner, partner, director, independent director (supervisor), or manager of a sole

proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or the spouse thereof. Notwithstanding, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse to or a relative of second degree or closer under the Civil Code to any other director.

(9) Not under any circumstances as noted in Article 30 of Company Law.

(10) No government agency, juristic person or its representative is elected under Article 27 of the Company .

Note 1: The Company's general shareholders' meeting on June 21, 2017 resolved and passed the re-election of all directors. Mr. Jau-Yang Ho, Mr. Chun-Hsiung Chen, Representative of Chimei Corporation, Mr. Long-Jun Lin and Mr. Chi-Pan Liang were elected to be the directors. Mr. Wei-Ting Liu, Mr. Lai-Huang Lo and Mr. Hsiao-Ken Chuang were elected to be the independent directors. However, Director Chimei Corporation and its Representative, Mr. Long-Jun Lin, resigned on November 9, 2017 due to operating strategy. Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason. The Board of Directors' by-election is held on 26th April 2019.

Note 2: The Company elected a Director and an Independent Director at AGM held on 22nd June 2019. Ms. Mei-Li Yeh was elected as a Director whereas Shi-Chun Tsai was elected as a Independent Director. Mr. Chun-Hsiung Chen was made a transitioned to a Director, and Ms Mei-Li Yeh was promoted as Vice Chairperson. Nevertheless, Mr Chen and Ms Yeh resigned followed by-election on 26th April 2019.

Note 3: The Director of the Company Lai-Huang Lo resigned on 11st December 2018 for personal reason

Note 4: The Company's EGM on 26th April 2019, unanimously resolved that Mr Jau-Yang Ho, Mr Jeffery Yang representing Innolux Co., Ltd., Mr Lai-Huang Lo representing BeyondPV Co., Ltd, Mr Wei-Lun Lu representing BeyondPV Co., Ltd, his predecessor Mr Hsiao-Gan Chaung resigned on 26th April, 2019. Mr Wei-Ting Liu, Mr Eddie Chen and Mr. Kuo-Shih Huang are elected as Independent Directors of the Company.

(2) Information pertaining to the presidents, vice presidents, assistant vice presidents and heads of departments and branches:

Date of suspension of transfer registration: April 24, 2018; Unit: shares

Title	Nationality	Name	Gender	Date elected / appointed	Shares held		Shares held by spouse and minor children		Shares held by proxy		Major career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Acquisition of employee stock warrants by managers
					Shares (shares)	Shareholding ratio	Shares (shares)	Shareholding ratio	Shares (shares)	Shareholding ratio			Job title	Name	Relationship	
Chairman, concurrently holding the President Position	R.O.C.	Jau-Yang Ho	Male	September 1, 2011	5,720,906	0.86%	109,548	0.02%	0	0%	National Cheng Kung University Bachelor, Department of Chemical Engineering President of Chimei Corporation Vice Chairman of Chimei Optoelectronics Corporation	(1) Chairman of Chi Mei Visual Technology Corporation (2) Chairman of Kunshan Chi Mei Materials Technology Corporation	N/A	N/A	N/A	N/A
Vice Chairperson	R.O.C.	Mei-Li Yeh (note2)	Female	22 nd June, 2018	2,244,000	0.34%	0	0%	0	0%	(1)Guanghua School of Management, Peking University (2)Chairperson of Concord Futures Co.,Ltd (3)Founder of Polai Securities	None	N/A	N/A	N/A	N/A
President	R.O.C.	Chun-Hsiung Chen	Male	6 th October	212,000	0.03%	0	0%	0	0%	Yuan Ze University Master, Department of Chemical Engineering Koatech Technology Corporation Special Assistant to President Wei-Jing Optoelectronic Technology Co.,Ltd Special Assistant to CEO Advisor of Shenzhen Sunnypol Optoelectronics Co., Ltd Advisor of Chimei Materials Technology Corp.	None	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Chien-Chih Wang	Male	November 2, 2017	274,456	0.04%	1,000	0%	0	0%	National Taipei University of Science and Technology Bachelor, Department of Chemical Engineering Senior Special Assistant of Chimei Corporation	(1) Director of Chi Mei Visual Technology Corporation (2) Director of Chi Tasi Trading Co., Ltd. (3) Director of Chimei Materials Investment Corp.	N/A	N/A	N/A	N/A
Assistant Vice President and Supervisor of Financial Accounting	R.O.C.	Wei-Chung Lian (Note 1)	Male	March 19, 2018	550,000	0.08%	0	0%	0	0%	Bachelor of Business Administration, National Central University CFO of ELTA Technology Co., Ltd. Vice Financial President of TPV Technology Limited Vice President of Financial Accounting Dept., Cheng Uei Precision Industry Co., Ltd.	(1) Supervisor of Chimei Materials Technology Corp. (Kunshan) (2) Supervisor of Chimei Materials Technology Corp. (Ningbo) (3) Supervisor of Chi Mei Visual Technology Corporation	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C.	Wan-Yang Li	Male	August 10, 2016	0	0%	0	0%	0	0%	Doctor, Institute of EO Engineering of National Chiao Tung University Manager of Chimei Optoelectronics Corporation	(1) Vice President of Chimei Visual Technology Corp. (2) Director of Chimei Materials Investment Corp. (3) Associate Professor of National Chiao Tung University/Institute of EO Engineering /Institute of Imaging and Biomedical Photonics (4) Associate Professor of National Cheng Kung University/Institute of Electro-Optical Science and Engineering	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C.	Siun-ru Chen	Female	6 th November 2018	20,000	0.00%	0	0%	0	0%	Director of China Beckon Capital					

Note 1: The Company's former chief accountant, financial officer and spokesperson, Mr. Wei-Huang Yu, resigned on February 28, 2018 due to personal life planning. The Board of Directors then resolved on March 19, 2018 to appoint Mr. Wei-Chung Wang as the chief accountant, financial officer and spokesperson, and the appointment was effective since March 19, 2018.

Note 2: The Vice Chairman Mr Chun-Hsiung Chen had made transition to Director on 22nd June 2018, and Director Ms. Mei-Li Yeh were appointed as the Vice Chairperson. Both of them resigned upon by-election on 26th April 2019.

Note 3: For the company's managerial need, the Board of Directors resolved to appoint Mr Chun-Hsiung Chen as President on 6th October 2018, nevertheless resigned from the President upon by-election on 26th April 2019.

Note 4: For the company's managerial need, the Board of Directors resolved to appoint Ms Siun-ru Chen as Assistant Vice President on 6th November 2018, nevertheless resigned from the President upon by-election on 26th April 2019.

3. Remuneration paid to directors (including independent directors), presidents and vice presidents in the most recent year:

(1) Remuneration paid to directors (including Independent Directors), presidents and vice presidents

1. Remuneration paid to directors (including independent directors):

Date: December 31, 2018; Unit: NT\$ thousand

Job title	Name	Directors' remuneration								Sum of A, B, C and D as a percentage of after-tax loss (Note 10) (%)		Remuneration received as an employee concurrently								The sum of A, B, C, D, E, F, and G as a percentage of after-tax loss (Note 10)	Remuneration from invested businesses other than the subsidiaries (Note 11)	
		Remuneration (A) (Note 1)		Pension (B)		Remuneration to directors (C) (Note 2)		Fees for services rendered (D) (Note 4)				Salaries, bonuses and special allowances, etc. (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)			The Company
Chairman	Jau-Yang Ho	0	371	0	0	0	0	61	12	0.009	12	3554	4,461	0	0	0	0	0	0	0.552	0.058	0
Vice Chairman	Chun-Hsiung Chen	0	331	0	0	0	0	4	4	0.000	0.051	552	4386	0	0	0	0	0	0	0.084	0.720	0
Director	Chun-Hsiung Chen	0	0	0	0	0	0	56	0	0.009	0.000	190	0	0	0	0	0	0	0	0.038	0.000	0
Vice Chairperson	Mei-Li Yeh	0	40	0	0	0	0	44	12	0.007	0.008	2200	2600	0	0	0	0	0	0	0.343	0.405	0
Director	Chi-Pan Liang	360	0	0	0	0	0	63	0	0.065	0.000	0	0	0	0	0	0	0	0	0.065	0.000	0
Director	Hsiao-Ken Chuang (Note 12)	150	0	0	0	0	0	8	0	0.024	0.000	0	0	0	0	0	0	0	0	0.024	0.000	0
Independent Director	Lai-Huang Lo	600	0	0	0	0	0	70	0	0.102	0.000	0	0	0	0	0	0	0	0	0.102	0.000	0
Independent Director	Wei-Ting Liu	600	0	0	0	0	0	72	0	0.103	0.000	0	0	0	0	0	0	0	0	0.103	0.000	0

Job title	Name	Directors' remuneration								Sum of A, B, C and D as a percentage of after-tax loss (Note 9) (%)		Remuneration received as an employee concurrently								The sum of A, B, C, D, E, F, and G as a percentage of after-tax loss (Note 9) (%)		Remuneration from invested businesses other than the subsidiaries (Note 10)
		Remuneration (A) (Note 1)		Pension (B)		Remuneration to directors (C) (Note 2)		Fees for services rendered (D) (Note 3)				Salaries, bonuses and special allowances, etc. (E) (Note 4)		Pension (F)		Remuneration to employees (G) (Note 5)						
		The Company	All companies included in the financial statements (Note 6)	The Company	All companies included in the financial statements (Note 6)	The Company	All companies included in the financial statements (Note 6)	The Company	All companies included in the financial statements (Note 6)	The Company	All companies included in the financial statements (Note 6)	The Company	All companies included in the financial statements (Note 6)	The Company	All companies included in the financial statements (Note 6)	The Company		All companies included in the financial statements (Note 6)		The Company	All companies included in the financial statements (Note 6)	
		Amount of cash	Amount of stock	Amount of cash	Amount of stock																	
Independent Director	Shu-Chun Tsai	302	0	0	0	0	0	51	0	0.054	0.000	0	0	0	0	0	0	0	0	0.054	0.000	0
	Total	2,012	742	0	0	0	0	425	24	0.372	0.372	6496	6986	0	0	0	0	0	0	1.364	1.183	0

* Except for the values disclosed in the previous table, the remuneration of the Company's directors for providing service (e.g., serving as consultants that are not employees) to all companies included in the financial statements in the most recent year: none

2. Breakdown of remuneration to directors (including independent directors)

Date of data: December 31, 2017

Breakdown of remuneration to each of the Company's directors	Name of Director			
	Total of (A+B+C+D+E)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 7)	All companies included in the financial statements (Note 8)H	The Company (Note 7)	All companies included in the financial statements (Note 8) I
Less than NT\$2,000,000	Jau-Yang Ho, Chun-Hsiung Chen, Mei –Li Yeh, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu, Hsiao-Ken Chuang, Shun-Chun Tsai	Jau-Yang Ho, Chun-Hsiung Chen, Mei –Li Yeh, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu, Hsiao-Ken Chuang, Shun-Chun Tsai	Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu, Hsiao-Ken Chuang, Shun-Chun Tsai	Representative of Chimei Corporation, Long-Jun Lin (Note 11), Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu, Hsiao-Ken Chuang (Note 12), Representative of Chimei Corporation, Chun-Hua Hsu (Note 13), Xian-Lan Lin (Note 13), and Sheng-Yen Chang (Note 13)
NT\$2,000,000 (inclusive)~NT\$5,000,000 (exclusive)	N/A	N/A	Jau-Yang Ho and Mei –Li Yeh	Jau-Yang Ho, Chun-Hsiung Chen and Mei –Li Yeh
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	N/A	N/A	N/A	N/A
NT\$100,000,000 and above	N/A	N/A	N/A	N/A
Total	8	8	8	8

Note 1: It refers to the Director's remuneration in the most recent year (including salaries, allowances, severance pay, various bonuses and incentives, etc).

Note 2: This is the Directors' remuneration which the Board of Directors has approved to allocate in the most recent year.

Note 3: It refers to compensations for services rendered (including transportation allowance, special allowances, subsidies, accommodations, corporate vehicle and other items). Where housing, cars, vehicles or personal allowances were granted, please describe the nature and cost of assets, the rental rates (calculated based on the actual or fair value), cost of petrol and other subsidies. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries.

Note 4: It refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, and vehicles, etc., which the director has received in the most recent year for assuming the role of the Company's employee (such as President, Vice President, manager or other employee). Where housing, cars, vehicles or personal allowances were granted, please describe the nature and cost of assets, the rental rates (calculated based on the actual or fair value), cost of petrol and other subsidies. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Meanwhile, the salaries recognized under IFRS 2 "Share-Based Payment," including shares subscribed for upon acquisition of employee stock warrants and new restricted employee shares and participation in capital increase in cash, should also be included into the remuneration.

Note 5: It refers to any employees' remuneration (in cash or shares) which the director received concurrently (as President, Vice President, manager or other employees) in the most recent year. The remuneration amount resolved for distribution by the Board of Directors in the most recent year shall be disclosed. If the amount could not be estimated, please use last year's payout ratio instead. Please also complete Table 6.

Note 6: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to the Company's directors.

Note 7: The total amount of remuneration made by the Company to each director whose name should be disclosed in the breakdown of remuneration.

Note 8: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to the Company's directors and directors' names in the breakdown of remuneration.

Note 9: The after-tax profit refers to the amount of profit for the most recent year, provided that where IFRSs are adopted, the after-tax profit shall refer to the amount of profit shown in the latest individual or separate financial report.

Note 10: a. This section shall state all forms of remuneration that the Director has received from the Company's invested businesses other than subsidiaries.

b. For directors who receive remuneration from invested businesses other than the subsidiaries, the amount of remuneration from these invested businesses should be added to column I in the table of remuneration ranges and please change the column heading into "All invested businesses" in such cases.

c. The remuneration refers to any returns, compensation (including remuneration to employees, directors and supervisors) and professional fees, etc. which the Company's presidents and vice presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

Note 11: Mr Chun-Hsiung Chen resigned from the Vice Chairman, and made transition to Director on 22nd June 2018, nevertheless resigned upon 26th April 2019

Note 12: Ms Mei-Li Yeh were appointed as Vice Chairperson on 22nd June 2019, nevertheless resigned upon 26th April 2019

Note 13: Mr Hsiao-Ken Chuang resigned on 19th March 2018 due to health issue

Note 14: Mr Lai-Huang Lo resigned on 11st December 2018

* The remuneration disclosed in this table is different from the income concept of the Income Tax Act, and thus this table is only for information disclosure but not for taxation.

3. Remuneration to presidents and vice presidents:

Date of data: December 31, 2017; Unit: NT\$ thousand

Job title (Note 1)	Name	Salary (A) (Note 2)		Pension (B)		Bonus and special allowances, etc. (C) (Note 3)		Remuneration to employees (D) (Note 4)				Sum of A, B, C and D as a percentage of after-tax loss (%) (Note 8) (Note 13)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Chairman and also President	Jau-Yang Ho	6407	690	0	0	1931	322	0	0	0	0	1.22	0.154	0
President	Chun-Hsiung Chen													
Vice President	Chien-Chih Wang (Note 11)													
Vice President	Wei-Chung Lian (Note 12)													

4. Breakdown of remuneration to presidents and vice presidents

Date of data: December 31, 2017

Breakdown of remuneration to each of the Company's presidents and vice presidents	Name of President and Vice President	
	The Company (Note 6)	All companies listed in the <u>financial statements</u> (Note 7) E
Less than NT\$2,000,000	Chun-Hsiung Chen, Wei-Chung Lian (Note 12)	Chun-Hsiung Chen, Wei-Chung Lian (Note 12)
NT\$2,000,000 (inclusive)~NT\$5,000,000 (exclusive)	Jau-Yang Ho and Chien-Chih Wang (Note 10)	Jau-Yang Ho and Chien-Chih Wang (Note 10)
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	N/A	N/A
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	N/A	N/A
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	N/A	N/A
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	N/A	N/A
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	N/A	N/A
NT\$100,000,000 and above	N/A	N/A
Total	4	4

5. The names and remuneration of the managers who received employee remuneration in the most recent year There was a net loss before tax in 2018, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.

Note 1: Presidents' and vice presidents' names should be presented separately; the amount of benefits and allowances can be presented in aggregate sums.

Note 2: It refers to the salaries, allowances and severance pay to presidents and vice presidents in the most recent year.

Note 3: It refers to the bonuses, incentives, transportation allowance, special allowance, subsidies, accommodation, corporate vehicle and other compensation to presidents and vice presidents in the most recent year. Where housing, cars, vehicles or personal allowances were granted, please describe the nature and cost of assets, the rental rates (calculated based on the actual or fair value), cost of petrol and other subsidies. Where personal drivers were allocated, please make a footnote disclosure explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above beneficiaries. Meanwhile, the salaries recognized under IFRS 2 "Share-Based Payment," including shares subscribed for upon acquisition of employee stock warrants and new restricted employee shares and participation in capital increase in cash, should also be included into the remuneration.

Note 4: It refers to any employees' remuneration which the presidents and vice presidents have received (in cash or in shares) in the most recent year. If the amount could not be estimated, please use last year's payout ratio instead. Please also complete Table 6. The after-tax profit refers to the amount of profit for the most recent year, provided that where IFRSs are adopted, the after-tax profit shall refer to the amount of profit shown in the latest individual or separate financial report.

Note 5: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to the Company's presidents and vice presidents.

Note 6: The total amount of remuneration made by the Company to each president or vice president whose name should be disclosed in the breakdown of remuneration.

Note 7: Please disclose the total amount of remuneration paid by all companies covered by the consolidated financial statements (including the Company) to each of the Company's presidents and vice presidents, and each president's and vice president's names in the breakdown of remuneration.

Note 8: The after-tax profit refers to the amount of profit for the most recent year, provided that where IFRSs are adopted, the after-tax profit shall refer to the amount of profit shown in the latest individual or separate financial report.

Note 9: a. This section shall state all forms of remuneration that the president and vice presidents received from the Company's invested businesses other than subsidiaries.

b. For the Company's presidents and vice presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I of the breakdown of remuneration, and please change

c. The remuneration refers to any returns, compensation (including remuneration to employees, directors and supervisors) and professional fees etc. which the Company's presidents and vice presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

Note 10: The Company reported the after-tax loss in the individual financial statement upon the final annual closing (NT\$ thousand): NT\$ 655,078,772

Note 11: Mr Chun-Hsiung Chen became president on 6th October 2018

Note 12: Mr Wei-Chung Lian became Vice President on 6th November 2018

(2) Analyze the total remuneration, as a percentage of net income stated in the Company's and consolidated companies' financial reports, as paid by the Company and by each of the other companies' included in the consolidated financial statements in the most recent 2 years to directors (independent directors), presidents and vice presidents and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. The remuneration to the Company's independent directors was paid according to the amended "Directors' Remuneration Payment Standards" approved by the Board of Directors on December 24, 2013.

The increase in the percentage of total remuneration to directors paid by the Company for the most recent two years (2017~2018) is stated as follows:

Since there was a net loss after tax in 2017 and 2018 and the remuneration of directors and employees and earnings have not been distributed. Thus, it is not applicable here.

According to the Company's remuneration policy, the remuneration to directors and employees shall be allocated subject to the actual profit sought in the given year and based on the proportion defined in the Company's Articles of Incorporation, and the remuneration to presidents and vice presidents shall vary depending on the position, responsibility, work results and contribution to the Company's business, and based on the standards applicable in the same industry. Therefore, the Company's remuneration policy is considered reasonable.

2. The policies, standards, combinations, procedure of decision-making of remuneration to the

Company's directors, presidents and vice presidents and their relation with the operating performance:

The remuneration to the Company's directors is based on the regulations specified in the Articles of Incorporation and the level of participation and the value of contributions to the Company operations in line with industry standards. If the Company retains earnings at the end of the fiscal year, after appropriations are made for losses and payments made into the statutory reserve or special reserve, allocation of preferred stock dividends and remuneration to employees, the board of directors shall submit a proposal for the distribution of the remaining amount, including remuneration to directors, based on the industrial environment and the Company's funding needs, and subject to the approval of a shareholders' meeting. Given the net loss NT\$ 655,078,772 in 2018, the Audit Committee and Board of Directors resolved on 13rd May, 2019 that no remuneration to directors and employees or earnings would be distributed this year, and the resolution was submitted to the general shareholders' meeting for ratification.

The remuneration to presidents and vice presidents, including salaries, bonuses, special allowances, remuneration to employees, employee stock warrants and new restricted employee shares, *et al.*, shall be set based on the nature of position, responsibility, job title and duty to be assumed by the presidents and vice presidents and also the standards for the remuneration to equivalent job titles applicable in the same trade.

3. Correlation with future risk exposure:

To deal with the changes in the future economic environment, and in consideration of the management team's operating performance and achievement and contribution, the Company's remuneration policy takes the future risk exposure into consideration.

4. Status of corporate governance:

▲(1) Operations of the Board of Directors and shareholders' meetings:

1. Operations of the Board of Directors

- (1). The directors were re-elected at the general shareholders' meeting on June 21, 2017. The board members' term of office commenced from June 21, 2017 until June 20, 2020.
- (2) The directors were re-elected at the general shareholders' meeting on April 26, 2019. The board members' term of office commenced from April 26, 2019 until 25th April.
- (3) .From 2018 until the date of publication of the annual report in 2019, the Board has held 24 meetings (A: A total of 11 meetings in 2018, and a total of 13 meetings in 201), and the attendance of directors is specified as following:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance	Remarks
Chairman	Jau-Yang Ho	21	0	87.5%	2018: 3/19,5/4;05/12;06/05;06/22; 07/31;08/13;10/16;10/25;11/06;12/11 2019: 02/26;03/07;03/11;03/14;03/20 03/28; 04/17; 04/26; 04/29; 05/13	The directors were re-elected on April 26, 2019. The elected directors and Chairman have held the position until now.
Vice Chairperson	Mei-Li Yeh	14	0	82%	2018: 06/22;07/31;08/13;10/06;10/25; 11/06;12/11 2019: 01/14;01/30;01/30;03/11;03/14;03/20; 03/28;04/17;04/26;04/29;05/13	The directors were re-elected on April 26, 2019 therefore she had resigned thereafter
Director	Chi-Pan Liang	13	5	62%	2018: 06/22;07/31;08/13;10/06;10/25; 11/06;12/11 2019: 01/14;01/30;01/30;03/11;03/14;03/20; 03/28;04/17;04/26;04/29	The directors were re-elected on April 26, 2019 therefore she had resigned thereafter
Director	Chun-Hsiung Chen	16	2	76%	2018: 03/19;05/14;06/22;07/31;08/13;10/06;10/25; 11/06;12/11 2019: 01/14;01/30;01/30;03/11;03/14;03/20; 03/28;04/17;	The directors were re-elected on April 26, 2019
Independent	Wei-Ting Liu	20	3	83%	2018: 06/22;07/31;08/13;10/06;10/25;	The directors were re-elected on

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance	Remarks
Director					11/06;12/11 2019: 01/14;01/30;01/30;03/11;03/14;03/20; 03/28;04/17;04/26;04/29	April 26, 2019. He was re-elected as an Independent Director
Independent Director/Director representative	Hsiao-Ken Chuang	1	0	100%	2018:03/19	resigned on March 19, 2018 due to personal health reasons (Note: the required attendance times shall be 6.)
Independent Director/Director representative	Lai-Huang Lo	13	1	93%	2018: 3/19,5/4;05/12;06/05;06/22; 07/31;08/13;10/16;10/25;11/06;12/11 2019: 02/26;03/07;03/11;03/14;03/20 03/28; 04/17; 04/26; 04/29; 05/13	Has held the independent director position until now after the re-election of all directors on June 21, 2017.
Director representative	Jeffery Yang	0	2	0%	2019: 04/26;05/13	The directors were re-elected on April 26, 2019, Representing Innolux Co., Ltd
Director representative	Wei-Lun Lu	3	0	100%	2019: 04/26; 04/29; 05/13	The directors were re-elected on April 26, 2019, Representing BeyondPV
Independent Director	Shu-Chun Tsai	17	0	100%	2018: 3/19,5/4;05/12;06/05;06/22; 07/31;08/13;10/16;10/25;11/06;12/11 2019: 01/14; 01/30; 03/26; 03/07; 03/11; 03/14; 03/20; 03/28; 04/17	The directors were re-elected on April 26, 2019 therefore he resigned thereafter
Independent Director	Eddie Chen	3	0	100%	2019: 04/26; 04/29; 05/13	The directors were re-elected on April 26, 2019
Independent Director	Kuo-Shih Huang	3	0	100%	2019: 04/26; 04/29; 05/13	The directors were re-elected on April 26, 2019

Other notes:

- If the circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing exist, the dates of meetings, sessions, contents of motions, all independent opinions, and the Company's response to the independent directors' opinions should be specified: Total 24 meetings of the BOD were held in the period from 2018 to the date of the annual report printed, all the resolutions please refer the Page 44 to Page 47 and there is no independent opinions remained of the meeting.
- The actions of the directors with respect to the avoidance of conflict of interest shall be disclosed including the name of the director, the matter, the reasons for the avoidance and the voting and attendance status.

Date of the Board Meeting	Name of Director	Motion content	Reasons for avoidance	Voting and attendance status
6 term- Fifth time 19 th March 2018	Chairman Jau-Yang Ho and Vice Chairman Chun-Hsiung Chen	Motion 5: Discussion of the motion for "2017 Insider Salary, Raise and Bonus and Remuneration System"	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen concurrently serve as the Company's managers, and thus left temporarily due to the interest avoidance of related parties in accordance with Article 178 of the Company Act.	did not participate in voting
6 term- 11st time 13rd August 2018	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen and Vice Chair Mei-Li Yeh	Motion 5: Discussion on appointing president of the Company	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen and Vice Chair Mei-Li Yeh concurrently serves as the Company's managers, and thus left temporarily due to the interest avoidance of related party in accordance with Article 178 of the Company Act.	did not participate in voting
6 term- 15th time 11st December 2018	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen and Vice Chair Mei-Li Yeh	Motion 1: 2019 Discussion on adjustment of Director's and Management' remuneration Motion 6: Relieve non-competing obligation	Chairman Jau-Yang Ho and Director Chun-Hsiung Chen and Vice Chair Mei-Li Yeh concurrently serves as the Company's managers, and thus left temporarily due to the interest avoidance of related party in accordance with Article 178 of the Company Act.	did not participate in voting
6 term- 17th time 30 January 2019	Independent Director Shun-Chun Tsai and Wei-Ting Liu	Motion : Discussion on Independent Directors' Compensation	Independent Director Shun-Chun Tsai and Wei-Ting Liu concurrently serve as the Company's independent directors, and thus left temporarily due to the interest avoidance of related parties in accordance with Article 178 of the Company Act.	Did not participate in voting
7 term-1 st 26 th April 2019	Chairman Jau-Yang Ho	Matter 1: Nomination of Chairperson	Chairman Jau-Yang Ho serves as the Company's managers, and thus left temporarily due to the interest avoidance of related party in accordance with Article 178 of the Company Act.	Did not participate in voting
7 term-3 rd time 13rd May 2019	Independent Director Wei-Ting Liu, Eddie Chen, Kuo-Shih Huang	Matter 2: Appointing the 5 th term on councilor of remuneration committee	Independent Director Wei-Ting Liu, Eddie Chen, Kuo-Shih Huang serves as the Company's managers, and thus left temporarily due to the interest avoidance of related party in accordance with Article 178 of the Company Act.	Did not participate in voting

- Measures undertaken during the current year and the past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation.
 - In order to satisfy the spirit of corporate governance, the Company established the Audit Committee on October 8, 2010, whose authorization is defined in the Securities and Exchange Act, Company Act and other laws and regulations. For the operation of the Audit Committee, please refer to p.21 of the annual report.
 - The Company set up the Remuneration Committee on April 26, 2011, which assists the Board of Directors in periodical evaluation, decides the wage and remuneration of directors and managers, and conducts periodical examination on the remuneration policy, system, standard and structure of directors and managers. For the operation of the Remuneration Committee, please refer to p.31 of the annual report.
 - The Company re-elected all directors on the general shareholders meeting on 26th April, 2019, among which 7 directors were elected (including 3 independent directors) to strengthen the career function of the Board of Directors and corporate governance.

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance	Remarks
<p>4. Board members continue to take courses that are not of their profession annually, including corporate governance related issues of financial, risk management, business, commercial, legal affairs, accounting and corporate social responsibility, or internal control system and financial report responsibility, in order to enhance the Board members' recognition and implementation of corporate governance. For the continuing education of the Board members and their annual performance self-evaluation, please refer to p.27-p.33 of the annual report.</p>						

2. Operations of the shareholders' meeting

A total of 2 shareholders' meetings were called in 2017 until May 5, 2018, the date of publication of the annual report: The 1st special shareholders' meeting on February 8, 2017, and the general shareholders' meeting on June 21, 2017.

(1) 1st special shareholders' meeting on February 8, 2017:

① Attendance by directors:

Job title	Name	Actual attendance	Remarks
Chairman	Jau-Yang Ho	1	Annual shareholders' meeting on 22 nd June, 2018
Vice Chairman	Chun-Hsiung Chen	1	
Director	Chi-Pan Liang	1	
Independent Director	Lai-Huang Lo	0	
Independent Director	Wei-Ting Liu	0	

②.1 Summary of the important motions resolved in the Annual shareholders' meeting on 22nd June, 2018

Serial No.	Motion	Summary of resolutions on important motions		
1	Increase registered capital through issuance of common stock for sponsoring GDR	● Proposal was approved after voting.		
		Approval votes: 312,639,171		
		Disapproval votes: 23,519,606		
		Invalid votes: 0		
		Abstention votes/no votes: 33,010,930		
		Total votes: 369,169,707		
2	Issue restricted share for employees	● Proposal was approved after voting.		
		Approval votes: 316,470,847		
		Disapproval votes: 19,607,930		
		Invalid votes: 0		
		Abstention votes/no votes: 33,010,930		
		Total votes: 369,169,707		
3	Motion for reelection of director and independent director			
	Job title	Chinese name	English name	Elected votes
	Independent Director	蔡蒔銓	Shun-Chun Tsai	335,489,631
	Director	業美麗	Mei-Li Yeh	335,489,631
4	Removal of competition restraints on new Director	● Proposal was approved after voting.		
		Approval votes: 335,716,611		
		Disapproval votes: 397,072		
		Invalid votes: 0		
		Abstention votes/no votes: 33,056,024		
		Total votes: 369,169,707		
5	Revise Article of Incorporation	● Proposal was approved after voting.		
		Approval votes: 335,802,710		
		Disapproval votes: 351,068		
		Invalid votes: 0		
		Abstention votes/no votes: 33,015,929		
		Total votes: 369,169,707		

(2). Extraordinary shareholders' meeting on 26 April, 2019

①. Attendance by directors:

Job title	Name	Actual attendance	Remarks
Chairman	Jau-Yang Ho	1	Extraordinary shareholders' meeting on 26 April, 2019
Director	Mei-Li Yeh	0	
Director	Chun-Hsiung Chen	0	
Director	Chi-Pan Liang	0	
Independent Director	Shun-Chun Tsai	0	
Independent Director	Wei-Ting Liu	0	

②. Summary of the important matter resolved at the Extraordinary shareholders' meeting on 26 April, 2019:

Serial No.	Motion	Summary of resolutions on important motions		
1	Complete re-election of Directors			
	Job title	Chinese name	English name	Elected votes
	Director	何昭陽	JAU-YANG HO	257,377,214
	Director Representing BeyondPV	羅來煌	Lai-Huang Lo	256,241,572
	Director Representing BeyondPV	莊孝根	Hsiao-Ken Chuang	254,783,948
	Director Representing Innolux	楊弘文	Hong-Wen Yang	254,775,374
	Independent Director	劉韋廷	WEI-TING LIU	248,878,278
	Independent Director	陳彥松	Yen-Song Chen	250,018,405
2	The motion for removing competition restraints on new director and his/her representative	● Proposal was approved after voting.		
		Approval votes: 417,287,585		
		Disapproval votes: 748,851		
		Invalid votes: 0		
		Abstention votes/no votes: 8,317,951		
		Total votes: 426,354,351		

Note1: BeyondPV has changed its registered mandarin name

Note2: BeyondPV assigned Mr Wei-Lun Lu to succeed Mr Hsiao-Ken Chung as representative

(3). "Status of earnings distribution in 2018" resolved by the general shareholders' meeting in 2017: Not distributed and thus is not applicable here.

▲(2) Operation of Audit Committee:

1. The Company's Audit Committee has 3 members.

2. Term of office held by the current committee member:

The term of office of the 4th Audit Committee members commenced from June 21, 2017 to June 20, 2020 had been dismissed due to by-election of board of directors on 26th April 2019.

3. There were 23 audit committee meetings in the most recent year (A: 9 in 2018, and 14 in 2018 until the date on which the annual report was printed). The attendance records of the independent directors are as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance and remarks
Independent	Wei-Ting	23	0	100%	2018: 3/19,5/4;05/12;06/05;06/22;

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) 【B/A】	Date of actual attendance and remarks
Director	Liu				07/31;08/13;10/16;10/25;11/06;12/11 2019: 02/26;03/07;03/11;03/14;03/20 03/28; 04/17; 04/26; 04/29; 05/13
Independent Director	Sheng-Yen Chang	9	0	100%	2018 03/19; 05/04; 05/12; 06/05; 07/31; 08/13; 10/06;
Independent Director (Note 1)	Wei-Ting Liu	1	0	100%	2018 3/19
Independent Director (Note 1)	Lai-Huang Lo	17	0	100%	2018 7/31; 8/13; 10/6; 11/6; 12/11 2019 01/14; 01/22; 01/30; 01/31; 02/26; 03/27; 03/11; 03/14; 03/20; 03/28; 04/08; 04/17
Independent Director (Note 1, 2)	Hsiao-Ken Chuang	2	0	100%	2019 4/29; 5/13
Independent Director	Guo-Shin Huang	2	0	100%	2019 4/29; 5/13

Other notes:

- For the items listed in Article 14-5 of the Securities and Exchange Act: Please refer to the section of “4. Important resolutions by the Board of Directors on the status of corporate governance” (p.44~p.47) in the annual report, which were all agreed to by at least one half of the Audit Committee members, submitted for resolution to the Board of Directors and passed. There are no circumstances that were not passed by the Audit Committee but were approved by over two thirds of all directors.
- The actions of the independent directors with respect to the avoidance of conflict of interest should be disclosed including the name of the independent director, the matter, the reasons for the avoidance and the voting and attendance status.
Explanation: A proposal pertaining to adjustment of independent directors’ remuneration, Mr Shun-Chun Tsai and Mr Wei-Ting Liu were the beneficiaries of the resolution.
- Status of independent directors’ communication with the internal audit supervisor and certified public accountants (which shall include communication matters, methods and results concerning corporate finances and business, etc.):
Note: Status of independent directors’ communication with the internal audit supervisor: The communication is conducted anytime via telephone, email and meeting to fulfill the obligation to report and illustrate the results, which is considered fair.

4. Status of supervisors’ participation in the Board of Directors: N/A, as the Company has established the Audit Committee as of October 8, 2010.

▲(3) The status of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for any such departure:

Assessment criteria	Operation			Difference from corporate governance practice principles for TWSE/GTSM-Listed companies and reasons
	Yes	No	Summary description	
*1. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?"	V		The Company has established its "Corporate Governance Best-Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" in 2011, and posted its "Corporate Governance Best-Practice Principles" on the "Corporate Governance" section of the "Corporate Social Responsibility" page on the Company's website (www.cmmt.com.tw).	There was no significant discrepancy.
*2. Shareholding structure and shareholders' interests				There was no significant discrepancy.
(1) Has the Company defined some internal operating procedures to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	V		(1) The Company established relevant departments such as the shareholders' service and legal affairs departments to deal with suggestions, questions, disputes and legal actions from shareholders in accordance with the internal operating procedure. Meanwhile, the Company also delegated the spokesperson and deputy thereof responsible for external communication and acceptance of shareholders' suggestions. The legal issues, if any, would be handled by the legal affairs unit established by the Company and the legal adviser retained by the Company. The Company also set up the following mechanism dedicated to providing the information about the Company: (1). Consultation with the professional shareholders service agent: Shareholders Service Dept., Taishin International Bank (02-25041250#6301~6306). (2). Stakeholder section on the Company's website (www.cmmt.com.tw)	
(2) Whether or not the Company has a roster of its major, actually controlling shareholders as well as controllers?	V		(2) The Company maintains fair relationship with its major shareholders and can control the roster of major shareholders effectively.	There was no significant discrepancy.
(3) Has the Company established or implemented the risk control and firewall mechanisms between the Company and its affiliates?	V		(3) The Company has established the "Operating Procedure for Supervision of Subsidiaries" and "Operating Procedure for Transactions with Group Members, Specific Companies and Stakeholders", and fulfilled the risk control and adequate firewall between the Company and its affiliates.	There was no significant discrepancy.
(4) Has the Company established the internal regulations to prohibit insiders from applying information undisclosed to the market in securities trading?	V		(4) The Company has established the "Operating Procedure for Processing of Internal Important Information" in 2009 in order to establish the Company's perfect mechanism dedicated to processing and disclosure of internal important information, prevent the information from being disclosed inadequately and ensure the accuracy and consistency of the information published by the Company to the public, so as to prohibit the Company's insiders from applying information undisclosed to the market in securities trading.	There was no significant discrepancy.
*3. Organization and responsibilities of the Board of Directors				There was no significant discrepancy.
(1) Has the board devised and implemented policies to ensure diversity of its members?	V		(1) According to the amendments to the "Procedure for Election of Directors and Independent Directors" dated March 10, 2015, the Company has amended its "Rules for Election of Directors," in order to devise and implement policies to ensure diversity of its members.	
(2) Other than the Remuneration Committee and Audit Committee, has the Company taken the initiative to set up a variety of other functional committees?	V		(2) The Company has not yet taken the initiative to set up a variety of other functional committees. Notwithstanding, the Company is willing to set up other functional committees pursuant to the laws, if it is necessary to meet the business needs.	There was no significant discrepancy.

Assessment criteria	Operation			Difference from corporate governance practice principles for TWSE/GTSM-Listed companies and reasons
	Yes	No	Summary description	
(3) Has the Company set up regulations and methods to evaluate the performance by the board of directors and conduct evaluation of performance on an annual basis?	V		(3)According to the Company’s corporate governance philosophy, the board of directors is primarily responsible for supervising, directing and evaluating the management team’s performance and appointing/dismissing managers. The Company’s board members hold plentiful experience in running company business in the world or academic experience, and uphold strict ethical standards and promises to the Company. The board of directors will meet every quarter to resolve various motions and also discuss with the management team about business strategies and future policies to create maximum interest for shareholders. Meanwhile, the board (and functional committee) members will conduct self-evaluation on their performance through questionnaire and discuss the motions to be concerned on a yearly basis, and submit the report to the board of directors at Q1 of each year to evaluate the board’s performance for the previous year.	There was no significant discrepancy.
(4) Whether or not the Company has a regular evaluation of the independence of Certified Public Accountants?	V		(4) The Company’s Board of Directors shall select auditors who are professional, responsible and independent in accordance with Article 29 of “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”, and evaluate the independence of the auditors periodically every year. After obtaining the independence statement reported by the Company’s independent auditors, the evaluation standard of independence can then be satisfied.	There was no significant discrepancy.
*4. Have the TWSE/TPEX listed companies established a dedicated unit or personnel (concurrently engaged in) to promote corporate governance (including but not limited to, provision of information required by directors and supervisors for practicing, processing of matters related to directors’ meetings and shareholders’ meeting pursuant to laws, registration and changes of registration of companies, and production of minute for directors’ meetings and shareholders’ meetings)?	V		The Company’s dedicated unit (concurrently engaged in) is assumed by the “Shareholders Service and Public Relations Secretariat” to take charge of or provide assistance in processing of corporate governance matters.	There was no significant discrepancy.
*5. Has the Company provided proper communication channels with stakeholders (including but not limited to, shareholders, employees, customers and suppliers, et al.), and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders?	V		The Company has established the communication channels with stakeholders and address corporate social responsibility issues that are of significant concern to stakeholders adequately. The Company’s website (www.cmmt.com.tw) has set up the dedicated sections for stakeholders, identifying such contacting and communication channels as the contact person: Spokesperson: Mr. Wei-Chung Wang; Deputy Spokesperson: Shi-En Xu; Tel.: 06-5889988; Email address: cmmt_ir@cmmt.com.tw .	There was no significant discrepancy.
*6. Has the Company appointed a professional shareholders service agent to process the affairs related to shareholders’ meetings?	V		The Company has appointed a professional shareholders service agent to process the affairs related to shareholders’ meetings: Shareholders Service Dept., Taishin International Bank	There was no significant discrepancy.
*7. Information disclosure				
(1) Has the Company established a website that discloses financial, business, and corporate governance-related information?	V		(1) The Company set up the website at (www.cmmt.com.tw) to disclose financial, business and corporate governance-related information in a transparent manner. The information may be accessed on the Company’s website (→Corporate Responsibility→Corporate Governance).	There was no significant discrepancy.
(2) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company website)?	V		(2). The Company has set up the dedicated department responsible for collecting and publishing the Company’s information. The Company’s website has also set up the “Investor Relations”, “Social Responsibility” and “Stakeholder” sections to disclose the information related to investors. Meanwhile, the Company has implemented and reported the information about spokesperson to fulfill the spokesperson system.	There was no significant discrepancy.

Assessment criteria	Operation			Difference from corporate governance practice principles for TWSE/GTSM-Listed companies and reasons
	Yes	No	Summary description	
*8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee interest and right, employee care, investor relations, supplier relations, stakeholders' rights, continuing education of directors and independent directors, implementation of risk management policies and risk evaluation standards, implementation of customer policy, and insuring against liabilities of the Company's directors and independent directors)?	V		(1) The Company's information is transparent all the time, which may be accessed on the M.O.P.S., the Company's website and annual reports. The Company's website has also set up the "Investor Relations," "Social Responsibility" and "Stakeholder" sections. (2) The Company will also call the investor conference periodically pursuant to the laws, and send the press release about important events, if any, to the media to help shareholders have a better understanding of the Company's corporate governance practices.	There was no significant discrepancy. There was no significant discrepancy.
<p>*9. Please state the corrective actions already taken and also propose the matters to be improved as the first priority and countermeasures against them, based on the corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year.</p> <p>1. The Company's corporate governance ranking range in the most recent year (the 4th term, 2017) was 36%~50%. The original English-version publication, financial reports and important messages, etc. that are about the unimproved matters were published simultaneously or within the required period since September 2017. The Corporate Social Responsibility Report has also been uploaded on December 27, 2017.</p> <p>2. Matters and measures to be strengthened with priority: In order to strengthen corporate governance, the Board of Directors passed the nomination of a female director candidate on May 4, 2018. However, it is waiting for approval by the 2018 General Shareholders' Meeting.</p>				

* Other information that enables a better understanding of the Company's corporate governance practices (e.g., employee interest and right, employee care, investor relations, supplier relations, stakeholders' rights, continuing education of directors and independent directors, implementation of risk management policies and risk evaluation standards, implementation of customer policy, and insuring against liabilities of the Company's directors and independent directors):

1. Employee interest and right and employee care:

- (1) The Company's management rules (including employee benefit measures and retirement program, etc.) fully satisfy the labor laws and regulations. The Company has passed the certification of OHSAS18001 and obtained the license of career safety and health management system, which is helpful to eliminate or decrease employees' working risks.
- (2) The Company's products all comply with RoHS. The Company has also set up the customer service unit to process quality issues and customers' complaints.
- (3) The Company provides its employees with a safe and healthy working environment in accordance with the Labor Standards Act and OHSAS18001.
- (4) The safety and health education for employees is periodically implemented and employees' health examination is routinely held.
- (5) The Company has the means to communicate with its employees on a regular basis and inform them of operational changes that may be of significant impact in a reasonable manner. The relevant information is disclosed on the section of "Investor Relations" on the Company's website (www.cmmt.com.tw), or on the M.O.P.S. (<http://mops.twse.com.tw/index.htm>) pursuant to laws.

(5). Number of employees and employee welfare expenses in 2018:

31st Dec, 2018 to 31 March 2019, the Company has hired 1,171 employees and 1,181 employees, respectively.

2018

Unit: NT\$ thousand

Item	Operating cost	Operating expenses	Total
Employee welfare expenses			
Salary expenses	625,693	125,150	750,843
Labor and health insurance expenses	59,870	7,383	67,253
Pension expenses	30,676	5,363	36,039
Other employee welfare expenses	52,697	8,541	61,238
Total	768,936	146,437	915,373
Depreciation expense	468,002	21,325	489,327
Amortization expenses	3,738	16,739	20,477

2. Employee benefits and implementation thereof: The Company will provide employees with tours, children's fellowship, discount for medical treatment at Chimei Medical Center and discount for registration fees of Chimei Group's staff recreation centers, and will also organize various health seminars and artistic and cultural activities from time to time, and the employees' continuing education and training periodically each year:

(1) The continuing education and training in 2018 are implemented in the following manner:

Training category	Total sessions (session)	Attendances (person)	Total hours (hr)
Professional curriculum and others	11	19	81
Health and Safety	44	195	437.5
Law education	2	2	12
Management skills	0	0	0
Total	57	216	530.5

(2). Retirement system and implementation thereof:

①(Voluntary retirement) Any of the Company's employees may apply for voluntary retirement under any of the following conditions: ❶ Where the worker attains the age of fifty-five and has worked for fifteen years.

❷ Where the employee has worked for more than twenty-five years.

②(Compulsory retirement) The Company shall not force an employee to retire unless any of the following situations has occurred: ❶ once the employee attains the age of sixty-five. ❷ Where the worker is unable to perform his/ her duties due to mental handicap or physical disability. The Company may request the central competent authority to adjust the age prescribed in Sub-paragraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below fifty-five.

③(Retirement age) The employee's retirement age shall be determined based on the age referred to in the household registration certificate.

④(Claim and calculation of pension) The pension shall be claimed and calculated in the following manner:

I. Employee's individual account of labor pension:

*.Monthly pension payment: The principal and accrued dividends from the employee's individual account of labor pension are paid in fixed installments. The amount of each installment shall be calculated based upon the life chart of annuity, average life expectancy, interest rate and other factors.

*.Lump-sum payment of retirement: The principal and accrued dividends from the employee's individual account of labor pension are claimed in lump sum at one time.

II. Annuity insurance: The amount shall be claimed per the terms and conditions in the insurance contract.

⑤ (Application for retirement) The employee who wishes to retire voluntarily shall submit the application in person to the President for approval. In the event of compulsory retirement, the HR unit will notify the relevant employee via his/her immediate supervisor. The employee shall complete the resignation and hand-over procedures per the relevant requirements prior to the effective date of retirement.

※Status of implementation: The Company’s implementation of Labor Standard Law and Labor Pension Act is considered well-founded.

3. Investor relations: The Company will call the shareholders’ meeting pursuant to the Company Law and related laws each year and also provide shareholders with the opportunities for asking questions and submitting proposals, and set up the spokesperson system dedicated to processing shareholders’ suggestions, queries and disputes. The Company also discloses and reports the related information per the competent authority’s requirements and provides the information which might affect investors’ decision in a timely manner.

4. Supplier relations: The Company establishes the “Operating Procedure for Managing Procurement” to govern the transactions with suppliers. Meanwhile, the Company asks its employees to comply with the “Code of Conduct” and establishes the long-term close relationship with suppliers by upholding the win-win principles, in hopes of achieving mutual trust and interest and pursuing sustainable development jointly.

5. Stakeholders’ right: The Company keeps the communication channels with its correspondent banks, employees, customers and suppliers available at any time and maintains their legal interest and right. Meanwhile, the Company delegates the spokesperson and deputy spokesperson to respond to investors’ questions, in hopes of providing investors and stakeholders with definitely transparent financial and business information. Additionally, the Company establishes the “Code of Conduct” to require the Company’s employees to respond to stakeholders in a proper manner. The Company’s website (www.cmmt.com.tw) has set up the dedicated sections for stakeholders, identifying such contacting and communication channels as the contact person: Spokesperson: Mr. Wei-Chung Lian; Deputy Spokesperson: Shi-En Xu; Tel.: 06-5889988; Email address: cmmt_ir@cmmt.com.tw.

6. Status of continuing education

(1). Status of directors and independent directors’ continuing education: Since December 2010, the Company’s new directors and independent directors have attended the 12-hour courses of the “Seminar of Directors’ and Independent Directors’ Practices” organized by the “Securities and Futures Institute” pursuant to laws and regulations, and continued to attend the same courses pursuant to the laws and regulations each year afterwards. In 2017, the courses held by the “Securities and Futures Institute” have been accomplished. Meanwhile, the Company will continue to arrange adequate continuing educational courses for directors and independent directors periodically .

(2). The status of continuing education of the directors and independent directors in 2017:

Job title	Name	Date of continuing education		Organizer	Course name	Hours of continuing education
		Begin	End			
Director	Jau-Yang Ho	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		2018/12/11	2018/12/11	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Director	Mei-Li Yeh	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3

Job title	Name	Date of continuing education		Organizer	Course name	Hours of continuing education
		Begin	End			
		2018/12/11	2018/12/11	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Director	Chun-Hsiung Chen	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		2018/12/1	2018/12/1	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Director	Chi-Pan Liang	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		2018/12/11	2018/12/11	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Independent Director	Wei-Ting Liu	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		2018/12/11	2018/12/11	Securities and Futures Institute	Practice course for (independent) directors and supervisors-Taipei class	3
Independent Director	Lai-Huang Lo	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		2018/12/11	2018/12/11	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3
Independent Director	Shun-Chun Tsai	2018/11/06	2018/11/06	Securities and Futures Institute	Analysis of the newest and important issues regarding the amendments to the Company Act	3
		2018/12/11	2018/12/11	Securities and Futures Institute	The responsibility of directors and supervisors in M&As	3

7. Disclose the Company's personnel related to financial transparency:
2018 accounting supervisors: Obtained the qualification of "continuing education course for accounting supervisors"
8. Implementation of risk management policy and risk measurement standards:
The Company has established the internal control system, internal audit system, self-evaluation procedure, and various management regulations or operating procedures which serve to be the risk management policy and risk measurement criteria followed by the Company's units and audit unit when they are carrying out the operations mentioned above.
9. Status of consumers protection or customers' policy:
In order to take care of the omnibus service and protection for customers, the Company will immediately communicate with the customers who file a complaint to verify their needs and facilitate the interactive effect between the Company and customers. The Company will also review and improve the defect at its production and marketing meeting and quality control meeting.
10. Purchase of liability insurance by the Company for directors and independent directors:
The Company has continued to purchase liability insurance for its directors and independent directors each year since 2011 until now, and also disclosed it on the M.O.P.S., and reported it to the board meeting on March 28, 2019.
11. Communication between the independent directors, head of internal audit and independent auditor:
- (1). Prepare the "summarization of audit report" and submit the same, together with a copy of the audit report, to each audit committee member for review, on a monthly basis.
 - (2). Should the audit committee member have any question or instruction upon reviewing the audit report, he/she will call the head of audit for consultation or instruction.
 - (3). Each audit report shall follow up the improvement of deficiency in internal control and extraordinary circumstances after 3 months, and compile and submit the follow-up report to each audit committee member.
 - (4). The head of internal audit shall attend the audit committee meeting to report on the audit per the relevant requirements.
 - (5). The communication channels between the Company's head of internal audit and Audit

Committee are multiple and available all the times.

- (6). The Company's independent auditor will report the results of audit on the Company's financial statements and other matters to be communicated pursuant to related laws and regulations at the Audit Committee's meeting each year. The Company's Audit Committee has clear communications with the independent auditors.
- (7). In conclusion, the independent directors may verify the Company's overview of operations (including overview of finances) and status of audit via the Board of Directors and Audit Committee, and the audit report submitted by the audit unit periodically and may communicate with the independent auditor fairly via various reports and channels (e.g. telephone No. and email, *et al.*).

12. If the Company conducts a corporate governance self-evaluation report or commissions a professional organization to compile a corporate governance assessment report, the results of self-evaluation (or commissioned evaluation), major deficiencies (or suggestions), and improvements should be stated:

- (1) The Company will complete the corporate governance self-evaluation report pursuant to the operating procedures of Corporate Governance Center of Securities and Futures Institute (and upload the report in the following manner) periodically each year: The Company's website (www.cmmt.com.tw) Investors Relations→Important Financial Information and News, and no material deficiencies were found in the disclosure at M.O.P.S.
- (2) In December 2018, the Company completed the Company's "Self-Evaluation or Peer Evaluation of the Board of Directors" pursuant to the letter under Tai-Cheng-Chi-Li No. 103210464:
 - a. Self-evaluation of the Board of Directors (functional committees) of Chimei Materials Technology Corp. 2018:

Scope of evaluation	Evaluation Result
A. Level of participation in the Company's operations	
1. Whether or not each director's average attendance to the directors' meeting (exclusive of the attendance by proxy) attains 70% or more ?	Yes
2. Whether or not a majority of all the directors attend a shareholders' meeting?	Yes
3. Whether or not the directors know about the contents of motion before the meeting and participate in the discussion about motions actively?	Yes
4. Whether or not the interaction between the Board of Directors and management team is considered fair?	Yes
5. Whether or not the Board of Directors values compliance with various laws and best-practice principles?	Yes
6. Whether or not all the directors make effective contribution at the directors' meeting?	Yes
7. Whether or not the Board of Directors boosts enactment of the corporate governance-related regulations, supports the Company's participation in the corporate evaluation and protects shareholders' equity perfectly to upgrade the corporate governance?	Yes
8. Whether or not the board members are clearly aware of the Company, the Company's management team and property owned by the Company?	Yes
9. Whether or not the Board of Directors suffer the various existing or potential risks over evaluation and supervision of the Company? Whether or not the Board of Directors discusses about the execution and follow-up of the internal control system?	Yes
10. Whether or not the directors communicate and exchange with the independent auditor? (In the event of enforcement of any new statement of financial accounting standards or material adjustment on the financial statements, it is necessary to call a discussion meeting. At least two directors' meetings shall be called, which the independent auditor should be invited to attend, per year, to discuss the annual and semi-annual reports and verify the Company's financial position.)	Yes
11. Whether or not the Company's Chairman or board members or managers are free from indictment against violations of the Securities and Exchange Act, Company Law, Banking Act, Financial Holding Company Act or Business Accounting Act or against corruption, malfeasance, fraud, breach of trust and embezzlement?	Yes
12. Whether or not the Board of Directors reviews the management team's performance periodically and thoroughly, and renders reward or punishment in a timely manner?	Yes
13. Whether or not the Board of Directors is able to acquire the enterprise's business performance report completely and in a timely manner, and control various disadvantageous situations?	Yes
B. Upgrade the quality of decisions made by Board of Directors	
14. Whether or not the Board of Directors establishes the Company's core value (such ideas as discipline, mission, honor and vision), and expressly sets the Company's strategic goals?	Yes
15. Whether or not the procedures for discussing and establishing the Company's strategic plans and annual budget are adequate?	Yes
16. Whether or not more than six directors' meetings are called each year?	Yes
17. Whether or not the information provided to the Board of Directors is the most updated in the specific format and of the quality enough to enable the directors to perform their duties?	Yes
18. Whether or not the directors' meeting minutes adequately record the contents of discussion and personal or collective qualified opinion or concern?	Yes

Scope of evaluation	Evaluation Result
19. Whether or not sufficient time is saved for discussion of the Board of Directors?	Yes
20. Whether or not adequate motions are submitted to the Board of Directors for resolution?	Yes
21. Whether or not sufficient time is saved for discussion of important motions to enable the motions to be discussed adequately in the agenda arranged by the Board of Directors?	Yes
22. Whether or not the Board of Directors provides fair communication channels enabling the adequate communication with independent directors?	Yes
23. Whether or not the resolutions made by the directors' meeting are followed up adequately?	Yes
24. If it is necessary for any director to recuse himself/herself from any related motion for conflict of interest, whether or not the director recuses himself/herself voluntarily or the chairperson expressly asks the director to recuse himself/herself?	Yes
25. Whether or not the Board of Directors, board members and functional committees implement the performance evaluation periodically and efficiently?	Yes
C. Organization and structure of the Board of Directors	
26. Whether or not the Board of Directors has appointed the number of independent directors that meets the related requirement?	Yes
27. Whether or not the Company's independent directors do not hold the position as director (including independent director) or independent director more than three TWSE/TPEX listed companies concurrently?	Yes
28. Whether or not the Board of Directors has established adequate and sufficient functional committees?	Yes
29. Whether or not the existing functional committees are capable to perform the job duties delegated by the Board of Directors?	Yes
30. Whether or not the Company establishes the policies to ensure diversity of the board members per the Company's development needs?	Yes
31. Whether or not there are no more than two directors who are the spouse to or relative of second degree or closer under the Civil Code to any other director?	Yes
D. Election and continuing education of directors	
32. Whether or not the procedure for election of new directors is strict and transparent enough?	Yes
33. Whether or not all motions for election of the board members are carried out based on the measurement criteria for the policies to ensure diversity of the board members?	Yes
34. As far as the Company's existing needs are concerned, whether or not the organization, competencies, knowledge and experience of the existing board members are adequate?	Yes
35. Whether or not the Board of Directors provides adequate explanation to new directors enough to have the new directors verify their job duties and know about the Company's operations and environment?	Yes
36. Whether or not the directors complete the continuing education of the hours to be fulfilled each year?	Yes
37. Whether or not the directors continue to attend the continuing educational courses related to corporate governance?	Yes
38. Whether or not there are any official records for directors' training hours and on-going professional development plan available to enable the directors to enhance their knowledge and skills?	Yes
E. Internal control	
39. Whether or not the management's risk evaluation and control have been integrated into the enterprise's decision-making process?	Yes
40. Whether or not the Board of Directors evaluates and supervises the effectiveness of various internal control systems and risk management effectively?	Yes
41. Whether or not the internal control system passed by the Board of Directors includes the five major elements/principles and covers the control operations of all operating activities and trading cycles?	Yes
42. The Company conducts the self-inspection on validity of design and execution of the internal control system each year. Whether or not the Board of Directors fails to issue the statement of declaration for major deficiencies in the internal control system?	Yes
43. Whether or not the Company's head of audit/lead auditor attends the directors' meeting as an observer and submits the internal audit report, and delivers or notifies the audit report (including the follow-up report) to each independent directors (or Audit Committee) and directors per the relevant requirements?	Yes
44. Whether or not the organization of Audit Committee members is adequate?	Yes
45. Whether or not there is at least one audit committee member who has the experience in finance?	Yes
46. Whether or not the functions of the Audit Committee are defined expressly and adequately?	Yes
47. When the various arrangements are adequate to ensure the objectivity and independence of the independent auditor when the independent auditor is providing non-audit services?	Yes
48. Whether or not the directors verify and supervise the Company's accounting system, financial position and financial statement, audit report and the follow-up thereof?	Yes

※General comments: The Board of Directors is held complying with the laws and operating fairly.

※Notes to Chairman's evaluation: The board members (and functional committees) comply with the laws and hold professional knowledge and skills, completely control the Company's operating objectives and fulfill the obligation to achieve effective supervision and communicate with each other fairly.

b. The performance evaluation of the directors of Chimei Materials Technology Corp. in 2018 and self-evaluation:

Scope of evaluation	Evaluation results	Board members subject to the self-evaluation and remarks
A. Control over the Company's objectives and mission		
1. Whether or not the directors understand the Company's core value (such ideas as discipline, mission, honor and vision)?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
2. Whether or not the directors clearly understand the Company's strategic objectives as set by the Board of Directors?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
3. Whether or not the directors understand the characteristics and risks of the industry which the Company is engaged in?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
B. Knowledge about director's duty		
4. Whether or not the directors have completely understood their legal obligations?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
5. Whether or not the new directors have understood their duties and know about the Company's operations and environment?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
6. Whether or not the directors will keep confidential the Company's internal information accessed by them when they are performing their duties as director?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
7. Whether or not the Company's Chairman or board members or managers are free from indictments against violations of the Securities and Exchange Act, Company Law, Banking Act, Financial Holding Company Act or Business Accounting Act or against corruption, malfeasance, fraud, breach of trust and embezzlement?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
C. Level of participation in the Company's operations		
8. Whether or not each director's average attendance at the directors' meetings (exclusive of the attendance by proxy) attains 70% or more?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
9. Whether or not the directors will verify and read the information about the directors' meeting before the meeting?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
10. Whether or not the directors spend sufficient time in handling the affairs related to directors' meetings?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
11.6. Whether or not the directors make effective contributions at the directors' meeting? For example, propose concrete suggestions toward the motion, <i>et al.</i>	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
12. Whether or not the directors will read the contents of the minutes upon receipt?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
13. Whether or not the directors are clearly aware of the Company, the Company's management team and property owned by the Company?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
14. Whether or not the directors suffer the various existing or potential risks over evaluation and supervision of the Company? Whether or not the directors discuss about execution and follow-up of the internal control system?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
15. Whether or not the directors also hold the position as director/supervisor of other companies concurrently?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
D. Internal relationship management, and communication		
16. Whether or not the interaction between the Board of Directors and management team is considered fair?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
17. Whether or not the directors have fair communication with the other directors?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
18. Whether or not the directors communicate and exchange with the independent auditor?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
E. Expertise and continuing education of directors		
19. Whether or not the directors hold the expertise required by the Board of Directors to make decision?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
20. Whether or not the directors complete the continuing education in the hours to be fulfilled each year?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
21. Whether or not the directors continue to attend the continuing education courses related to corporate governance?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
22. Whether or not the directors continue to attend the continuing educational courses about diversity and enhance their expertise and skills?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and

Scope of evaluation	Evaluation results	Board members subject to the self-evaluation and remarks
		Shun-Chun Tsai
F. Internal control		
23. If it is necessary for any director to recuse himself/herself from any related motion for conflict of interest, whether or not the director recuses himself/herself voluntarily?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
24. Whether or not the directors evaluate and supervise the effectiveness of various internal control systems and risk management effectively?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai
25. Whether or not the directors verify and supervise the Company's accounting system, financial position and financial statement, audit report and the follow-up thereof?	Yes	Jau-Yang Ho, Chun-Hsiung Chen, Chi-Pan Liang, Lai-Huang Lo, Wei-Ting Liu and Shun-Chun Tsai

Note 1: The Company's general shareholders' meeting on June 21, 2017 resolved and passed the re-election of all directors. Mr. Jau-Yang Ho, Mr. Chun-Hsiung Chen, Representative of Chimei Corporation, Mr. Long-Jun Lin and Mr. Chi-Pan Liang were elected to be the directors. Mr. Wei-Ting Liu, Mr. Lai-Huang Lo and Mr. Hsiao-Ken Chuang were elected to be the independent directors. However, Director Chimei Corporation and its Representative, Mr. Long-Jun Lin, resigned on November 9, 2017 due to operation strategy. Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason.

※General comments: The directors' performance is considered fair upon evaluation.

※Notes to Chairman’s evaluation:

1. The directors control the Company’s objectives, missions and job duties definitely.
2. The directors completely control and effectively supervise the Company’s business objectives, strategies and departmental missions.
3. The directors understand and effectively supervise the Company’s operation.
4. The board members hold the expertise and skills, and continue to attend continuing education pursuant to laws.

▲(4) Composition, duties, and operation of Remuneration Committee :

1. According to Article 2 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”, the Company established the Remuneration Committee on April 26, 2011 dedicated to fulfilling the corporate governance, well founding the supervision function and strengthening the management mechanism.
2. The convener of the Company’s 4th Remuneration Committee was assumed by Independent Director Lai-Huang Lo.
3. Information about Remuneration Committee members:

Date: May 13, 2019

Identity (Note 1)	Qualifications Name	Have more than 5 years of experience and the following professional qualifications			Status of independence (Note 2)								Number of public companies where the person holds the title as remuneration committee member	Remarks (Note 3)
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	A judge, public prosecutor, attorney-at-law, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.	Required work experience in commerce, law, finance, accounting or others required by the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Lai-Huang Lo			V	V	V	V	V	V	V	V	V	0	Meet the regulation requirement set in accordance with Article 6-5 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.”
Independent Director	Wei-Ting Liu	V	V	V	V	V	V	V	V	V	V	V	0	
Independent Director	Hsiao-Ken Chung			V	V	V	V	V	V	V	V	V		
Independent Director	Shun-Chun Tsai	V		V	V	V	V	V	V	V	V	V		
Independent Director	Yen-Song Chen			V	V	V	V	V	V	V	V	V		
Independent Director	Guo-Shih Huang		V	V	V	V	V	V	V	V	V	V	3	

Note 1: Please fill in director, independent director or other in the identification.

Note 2: The respective member who meets said qualifications 2 years before assumption of office and at the time of assumption office shall put a "□" in the appropriate space.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Excluding the capacity of independent director appointed by the Company or its parent company or subsidiaries pursuant to the Law or the local laws.
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a spouse, relative within a second degree of kinship, or lineal relative within the third degree of kinship of a person in compliance with any of the preceding three subparagraphs.
- (5) Not a director (including independent director) or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that holds shares ranking within the top five in holdings.
- (6) Not a director, independent director (supervisor), manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, as an owner, partner, director, independent director (supervisor), or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or the spouse thereof.
- (8) Not under any circumstances as noted in Article 30 of Company Law.

Note 3: If the member is also a director, please describe whether he or she also meets the regulation requirement set in accordance with Article 6-5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

Note 4: Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason.

4. Information pertaining to operations of Remuneration Committee:

(1). There are two members in the Company's Remuneration Committee.

(2). Term of office held by the current committee member:

- ①. According to the Articles of Association of Remuneration Committee, the committee member's term of office is identical with that to be held by the Board of Directors of the same term. The board meeting resolved to approve the motion for appointment of the 4th Remuneration Committee members on June 21, 2017.
- ②. The By-election of Board of the Directors was voted by poll at the EGM on 2019/04/26, the newly elected Board resolved to appoint councilors of the fifth term of remuneration committee.
- ③. The term of office of the 4th Remuneration Committee members commenced from June 21, 2017 to June 20, 2020. The term of office of the 5th Remuneration Committee members commenced from April 29, 2019 to April 25, 2022.

(3). There were 6 Remuneration Committee meetings (A: 4 in 2018; 1 in 2019 up to the date of publication of the annual report) in the most recent year, and the committee member qualifications and attendance records are as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Note
Convener	Lai-Huang Lo (Note 1)	4	0	100%	2018: 3/19;5/4; 08/13; 12/21
Councilor	Wei-Ting Liu	5	0	100%	2018: 3/19;5/4; 08/13; 12/21 2019: 5/13
Councilor	Hsiao-Ken Chuang (Note 1, 2)	1	0	100%	2018: 3/19
Councilor	Shun-Chun Tsai	2	0	100%	2018: 08/13; 12/11
Councilor	Sheng-Yen Chang (Note 3)	1	0	100%	2019: 5/13
Councilor	Guo-Shih Huang	1	0	100%	2019: 5/13

Other notes:

1. If the Board of Directors does not adopt or amend, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the discrepancy and reason): none.
2. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.

Note 1: The new directors were re-elected in the shareholders' meeting on June 21, 2017.

Note 2: Independent director Mr. Hsiao-Ken Chuang resigned on March 19, 2018 due to personal health reason.

Note 3: Dismissed after the re-election of directors in the shareholders' meeting on June 21, 2017.

▲(5) Fulfillment of corporate social responsibility:

Operation status of the dedicated unit of promoting corporate social responsibility:

Updating date: March 19, 2018

Assessment criteria	Operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
<p>1. Sound corporate governance</p> <p>(1) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?</p> <p>(2) Does the Company organize social responsibility training on a regular basis?</p> <p>(3) Whether or not the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?</p> <p>(4) Whether or not the Company has defined some reasonable remuneration policy, integrated corporate social responsibility with employees' performance evaluation and established some clear and effective reward/disciplinary system?</p>	V		<p>(1) The Company's Board of Directors passed the "Corporate Social Responsibility Best-Practice Principles" on May 12, 2011.</p> <p>(2) The Company will organize social responsibility training periodically.</p> <p>(3) The unit dedicated to (concurrently engaged in) promoting corporate social responsibility: Planning Office ※ Operation of the unit: To help fulfill and boost the corporate governance, and periodically prepare the annual "CSR Report" based on the guide to preparation of CSR report applicable internationally and reports the progress thereof to the Board of Directors to strengthen the disclosure of the information about corporate social responsibility.</p> <p>(4) The Company's Board of Directors passed the "Code of Conduct" on November 3, 2010. Meanwhile, the Company will also propagate the idea about corporate ethics through weekly meetings or special meetings, and integrate the related effect with employees' performance, if necessary.</p>	<p>There was no significant discrepancy.</p> <p>There was no significant discrepancy.</p> <p>There was no significant discrepancy.</p> <p>There was no significant discrepancy.</p>
<p>2. Fostering a sustainable environment</p> <p>(1) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p> <p>(2) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(3) Is the Company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?</p>	V		<p>The Company's policies for energy conservation, carbon and greenhouse gas reduction, water reservation or reduction of waste are stated as follows :</p> <p>(1) The Company exercises the efficient use of various resources and installs waste water disposal equipment to process waste water to recycle water resources and mitigate their impact on the environment.</p> <p>(2) The Company develops an appropriate environmental management system subject to its distinctive characteristics. The main raw materials it uses comply with RoHS. It also prohibits any hazardous substances specified in the RoHS in production to mitigate the impact on the environment.</p> <p>(3) Except for the necessary lights, the lights in public areas are reduced. The Company also works hard to persuade colleagues to take elevators less and utilize the stairway more to urge the conservation of energy and carbon reduction in the Company. The Company also applies the Greenhouse Gas Investigation System in its plants, and commissions a fair third party to investigate the greenhouse gas emission inside the plants pursuant to the relevant requirements (14064-1) promulgated by Environmental Protection Administration, Executive Yuan to precisely control the information about emission as the basis for future conservation of resources and carbon reduction.</p>	<p>There was no significant discrepancy.</p> <p>There was no significant discrepancy.</p> <p>There was no significant discrepancy.</p>

Assessment criteria	Operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
3. Enforcement of public welfare				
(1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(1) The Company's management rules (including various employees' benefit policies and retirement system, <i>et al.</i>) comply with the labor laws and regulations. The Company has passed OHSAS18001 certification and acquired the occupational safety and health management system certification to help mitigate or reduce employees' risk in working.	There was no significant discrepancy.
(2) Does the Company have means through which employees may raise complaints? Are employee complaints being handled properly?	V		(2) The Company's products all comply with RoHS. The Company has set up the customer service unit to process quality issues and customers' complaints.	There was no significant discrepancy.
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company provides employees with a safe and healthy work environment pursuant to the Labor Standard Laws and OHSAS18001, and also performs safety and health educational programs for employees from time to time and conducts health examination periodically to verify employees' health condition.	There was no significant discrepancy.
(4) Does the Company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact in a reasonable manner?	V		(4) The Company has established the periodic communication channel with employees. Meanwhile, the Company will notify the employees on any information about changes in the Company's operation which might affect the employees materially in a reasonable manner. All of these are disclosed on the Company's "Corporate Social Responsibility" page (www.cmmt.com.tw) or the M.O.P.S. (http://mops.twse.com.tw/index.htm) pursuant to laws.	There was no significant discrepancy.
(5) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		(5) The Company will have its internal employees attend continuing education and training each year and establish an effective training program that helps employees develop skills over their career, <i>e.g.</i> : (1). ISO9001 and QC080000 internal auditor training (per year). (2). MTP mid-rank management skill training (3). TWI junior supervisor management skills - JI and JM. (4). Knowledge and promotion of Personal Information Protection Law - personal information laws and regulations and personal information inventory-taking skills. (5). Corporate compliance courses -- Anti-trust laws, <i>et al.</i>	There was no significant discrepancy.
(6) Has the Company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	V		(6) The Company has set up the unit dedicated to handling customer service and processing quality issues and customers' complaints to protect the consumer interest and right policies and ensure availability of the complaining procedure.	There was no significant discrepancy.
(7.) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	V		(7) The Company's products comply with related laws and international standards, and also RoHS.	There was no significant discrepancy.
(8) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?	V		(8) The "Supplier Basic Information Form" signed before the Company commences business relationships with the supplier already includes the answer to the questions about evaluation on "the supplier's environmental and social conducts".	There was no significant discrepancy.

Assessment criteria	Operation (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(9) Is the Company entitled to terminate supply agreements at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?	V		(9) The Company signs the "Supplier's Written Undertaking for Fulfillment of Social Responsibility" with the major supplier, which provides that where the supplier violates its corporate social responsibilities and causes significant impacts against the environment or the society, the Company may terminate or rescind the contract at any time. The "Guidelines for Business Operation and Behavior with Integrity" were passed in the board meeting on November 11, 2015 and in the general shareholders' meeting on June 20, 2016, which includes the supplier's "Statement of Declaration for Ethical Conduct," to fulfill corporate governance. The status of ethical corporate management was also reported to the Board of Directors on March 19, 2018. The "Supplier's Statement of Declaration for Ethical Conduct" and "CMMT Supplier's Written Commitment to Social Responsibility and Ethics" may be accessed on the Company's website at www.cmmt.com.tw (corporate social responsibility→corporate governance).	There was no significant discrepancy.
4. Enhanced information disclosure (1) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		(1) The Company has established its "Corporate Social Responsibility Best-Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" in 2011, and disclosed the information about its corporate social responsibility on the "Corporate Social Responsibility" page on the Company's website (www.cmmt.com.tw). Meanwhile, the Company discloses relevant and reliable CSR information on its website and at the Market Observation Post System.	There was no significant discrepancy.
5. If the Company has established its own corporate social responsibility principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," please describe the deviation of its operation from said principles: The Company's Board of Directors passed the "Corporate Social Responsibility Best-Practice Principles" on May 12, 2011, which has no deviation from its operation.				
VI. Other important information that help to shed light on the company's status of CSR fulfillment: (1) In order to fulfill the Company's social responsibility to protect the environment on the earth, the main raw materials used by the Company for the time being comply with the RoHS effective as of July 2006 and the hazardous substance referred to in the RoHS is prohibited in the production. The Company also communicates the related information to each department to ensure that the Company's products meet the RoHS or customers' requirement. The Company has passed the ISO 14001:93 environmental management system certification. The Company continues to improve the protection from environmental pollution, conservation of energy and resources, and reduction of waste to mitigate potential environmental protection risk. (2) The Company also passed OHSAS 18001: The occupational safety and health management system certification 2007 removed or mitigated employees' risk in working effectively and also upgrade the occupational health and safety and reduce the medical insurance claim and premium. (3) The Company provides support upon outbreak of some urgent crisis in the society. For example, the Company supported the original species tree planting in 2016 to respond to the environmental protection sustainability. ※In order to fulfill the corporate social responsibility, the Company has insisted donating fund for public welfare from time to time since 2009. ※The Company encourages employees to put themselves in the place of others and be always eager to help those in need and join the donation of fund to give feed back to the society.				
7. A clear statement shall be made if the products or corporate social responsibility report of the Company pass the inspection of the relevant certification agencies: None.				

▲(6) Performance of ethical corporate management and measures adopted by the Company:

Status of performance of ethical corporate management:

Updating date: March 19, 2018

Item	Operation (Note 1)			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Establishment of integrity policies and solutions				
(1) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain ethical corporate management? Are the Board of Directors and the management committed in fulfilling this commitment?	V		(1) The Company's Board of Directors passed the "Ethical Corporate Management Best-Practice Principles" on April 26, 2011 and the "Corporate Governance Best-Practice Principles" on May 12, 2011, and stated in its Memorandum and external correspondence about the policies and practices it has to maintain ethical corporate management to have the Board of Directors and the management committed in fulfilling this commitment.	There was no significant discrepancy.
(2) Has the Company established solutions for the prevention of unethical conduct and specify relevant operating procedures, guidelines, disciplinary actions for violations and complaining system and carried out relevant operations accordingly?	V		(2) The Company's "Ethical Corporate Management Best-Practice Principles" and "Corporate Governance Best-Practice Principles" already state the solutions for prevention of unethical conduct. The Company also establishes well-founded complaining and disciplinary for violations: Complaining and reporting channels: 1. The internal complaining channels include: (1)Immediate supervisor (2)HR supervisor (3)Legal Affairs Unit (4)Auditor (5)President's email address 2. The external complaining channel refers to the "Shareholders Service and Public Relations Secretariat" email: cmmt_ir@cmmt.com.tw and a disciplinary system is implemented. In the event of any violation of ethical management, the Company will call the HR committee meeting consisting of cross-department high-level supervisors to review the case and process the case in accordance with related internal operating procedures. Where the management to be disciplined refers to manager, the Company will apply the related requirements and report the case to the Board of Directors.	There was no significant discrepancy.
(3) Has the Company taken steps to prevent occurrences listed in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" or business conducts that are prone to integrity risks?	V		(III) 1. The Company will propagate the idea about corporate governance and ethical management through weekly meetings or special meetings. In the event of any violation of ethical management, the Company will call the hiring committee meeting consisting of multi-departmental high-rank management to review the case. 2. The Company has established its own "Ethical Corporate Management Best-Practice Principles," and already undertaken measures against bribery and illegal political donation with respect to operating activities with higher risk of unethical conduct.	There was no significant discrepancy.

Item	Operation (Note 1)			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
2. Fulfillment of ethical corporate management				
(1) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(1) Before establishing any business relationship, the Company will evaluate the trading counterpart's legality and investigate on credit to avoid trading with unethical counterparts. Meanwhile, the Company passed the "Guidelines for Business Operation and Behavior with Integrity" on November 11, 2015, which include the requirements about "Exemption from Reporting of Property Given by Contractors and Customers," the supplier's "Statement of Declaration for Ethical Conduct," and employees' "Written Undertaking of Integrity" to fulfill the ethical management required by the corporate governance.	There was no significant discrepancy.
(2) Whether or not the Company establishes a unit dedicated to (concurrently engaged in) promoting ethical corporate management under supervision by the Board of Directors and reports the status thereof to the Board of Directors?	V		(2) The unit dedicated to (concurrently engaged in) promoting ethical corporate management: Administration Division ※Operations of the Unit: 1. The Company specifies the "Administration Division" as the responsible unit (hereafter referred to as the "responsible unit of the Company") in handling the revision, execution, interpretation, consultation service and reporting on the ethical corporate management, as well as relevant operations and supervision, execution of the report content register and filing, etc. and the unit shall also report to the Board of Directors periodically. 2. Where the Company's staff (<u>directors, managers, employees and persons with substantial controlling power of the Company</u>) provide or promise facilitating payment because of threat or intimidation, the staff shall record and report the case to the department supervisor and notify the dedicated unit of the Company. Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving an alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency. In order to fulfill the responsibility for supervision of ethical corporate management, the Company establishes various organizations and channels, such as Audit Committee, Remuneration Committee, and financial experts, internal auditors and paralegals subordinated to Audit Committee. Finance departments and internal auditors shall also report the status to the Board of Directors periodically. The Company's managers, especially the President and CFO, under the supervision of the Board of Directors, shall ensure that the financial accounting information reported by the Company to the securities competent authority or disclosed by the Company to the public is complete, fair, accurate, timely and readable.	There was no significant discrepancy.
(3) Whether or not the Company defines any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	V		(3) The parliamentary rules of the Company's Board of Directors provide the clauses about directors' avoidance of conflict of interest. Therefore, any director who has a conflict of interest in a motion submitted to the Board of Directors shall recuse himself/herself when the motion is resolved.	There was no significant discrepancy.
(4) Whether or not the Company has fulfilled the ethical management by establishing an effective accounting system and internal control system and had an internal audit unit conduct periodic audits or appointed an external auditor to conduct audits?	V		(4) The Company fulfills the ethical management by establishing an effective accounting system and internal control system, and has an internal audit unit conduct periodic audits, and appoints Deloitte & Touche to conduct audits.	There was no significant discrepancy.
(5) Whether or not the Company organizes internal/external education training program for ethical management periodically?	V		(5) The Company organizes internal education training program for ethical management periodically, and also attends the corporate governance and ethical corporate management courses organized by the competent authority and banks externally.	There was no significant discrepancy.

Item	Operation (Note 1)			Deviation and causes of deviation from Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>3. Status of the Company's systems</p> <p>1. Whether or not the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p> <p>(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?</p> <p>(3) Does the Company assure malpractice reporters that they will not be mistreated for making such reports?</p>	V		<p>(1) Chapter 7 of the Company's "Code of Conduct" states the complaining system. The Company's complaining channels: 1. The internal complaining channels include: (1)Immediate supervisor (2)HR supervisor (3)Legal Affairs Unit (4)Auditor (5) President's email address 2. The external complaining channel refers to the "Shareholders Service and Public Relations Secretariat" email: cmmt_ir@cmmt.com.tw, and the implementation thereof is fulfilled.</p> <p>(2) Stated in "Complaint, Protection and Waiver" in Chapter 7 of the Company's "Code of Conduct".</p> <p>(3) Sated in "Complaint, Protection and Waiver" in Chapter 7 of the Company's "Code of Conduct".</p>	<p>The Company has not yet established the specific reward system. Notwithstanding, if it is necessary for the Company to do so, the Company will evaluate it.</p>
<p>4. Enhanced information disclosure</p> <p>(1) Whether or not the Company has disclosed its Ethical Corporate Management Best-Practice Principles and effect of implementation thereof on its website and Market Observation Post System?</p>	V		<p>(1) The "Ethical Corporate Management Best-Practice Principles" in the form of an e-book has been posed on the "Corporate Governance" page of the "Corporate Social Responsibility" on the Company's website (www.cmmt.com.tw) available to be accessed and downloaded by employees at any time. Meanwhile, related information has also been disclosed on the Company's website or the M.O.P.S. (http://mops.twse.com.tw/index.htm) pursuant to laws, in order to achieve the boosting effect. The status of ethical corporate management was also reported to the Board of Directors on March 19, 2018. The Company will continue to submit the report to the Board of Directors periodically each year.</p>	<p>There was no significant discrepancy.</p>
<p>5. If the Company has established its own ethical corporate management principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe the deviation of its operation from said principles: None.</p>				
<p>6. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management principles formulated by the Company): The Company is used to engaging in ethical management and also establishes the "Code of Conduct for Directors (including Independent Directors) and Managers" and "Code of Conduct for Employees". Meanwhile, the Board of Directors passed the "Ethical Corporate Management Best-Practice Principles", "Corporate Governance Best-Practice Principles" and "Guidelines for Business Operations and Behavior with Integrity" on April 26, 2011, May 12, 2011 and November 11, 2015, and the Company reported the implementation status of ethical corporate management to the Board of Directors on March 19, 2018. The principles mentioned above were stated in the Company's Memorandum and external correspondence about the policies and practices it has to maintain ethical corporate management, in order to have the Board of Directors and the Company's staff (the Company and its directors, managers, employees and persons with substantial controlling power of the Company) committed in fulfilling this commitment. The Company's related regulations and information have been posted on the Company's website (www.cmmt.com.tw), the "Corporate Governance Best-Practice Principles and related regulations", accessible to the public and shareholders.</p>				

- ▲(7) Access to the Company's Corporate Governance Best-Practice Principles and related regulations: The related regulations established by the Company with respect to corporate governance, including "Corporate Governance Best-Practice Principles," "Corporate Social Responsibility Best-Practice Principles," "Operating Procedure for Transactions with Group Members, Specific Companies and Stakeholders," "Parliamentary Rules for Shareholders' Meetings," "Code of Conduct for Directors (Including Independent Directors) and Managers," "Rules Governing Independent Directors' Responsibility," "Parliamentary Rules for Board Meetings," "Articles of Association of Audit Committee", "Code of Conduct for Employees," "Operating Procedure for Processing of Internal Important Information," "Ethical Corporate Management Best-Practice Principles," "Guidelines for Business Operation and Behavior with Integrity," "Employees' Written Undertaking of Integrity," "Suppliers' Statement of Declaration for Ethical Conduct" and "Supplier's Written Undertaking of Social Responsibility and Ethics," etc., which are disclosed on the "Corporate Social Responsibility" page of the Company's website.
- ▲(8) Other information enabling better understanding of the status of the Company's corporate governance: none.
- ▲(9) Implementation of internal control system:
1. Statement of internal control system: Please see p.43.
 2. If an independent auditor is retained to audit the Company's internal control system, please disclose the audit report made by the independent auditor: None.

Cheng Mei Materials Technology Corp.
Statement of the Internal Control System

Date: March 28, 2019

Based on the results of self-assessment, the Company states the following with regard to its internal control system for the year of 2018:

1. The Company is fully aware that the establishment, operations and maintenance of an internal control system is the responsibility of the Board of Directors and management. The Company has established such a system. It aimed at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets), reliability, timeliness and transparency of reporting, and compliance with all the applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, it can only provide some reasonable assurance of the accomplishment of the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control System by Public Companies” (herein below, the “Regulations”). The criteria adopted by the “Regulations” identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the “Regulations” for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
5. Based on the findings of the evaluation mentioned above, the Company believes that, on December 31, 2018 (Note 2), its internal control system (including the supervision on and management of subsidiaries), as well as the design and operations of internal control systems for understanding its operational effectiveness and efficiency, the achievement level of objectives, reliability, timeliness, transparency and regulatory compliance in reporting, and compliance with the applicable laws and regulations, were effective, and the Company can provide reasonable assurance that the above-stated objectives would be achieved.
This Statement will be an integral part of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment or other illegality of contents made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Company’s Board of Directors on March 28, 2019, with none of the 6 attending directors expressing dissenting opinions and the remainder all affirmed the contents of this Statement.

Cheng Mei Materials Technology Corp.

Chairman: signature/seal

President: signature/seal

▲ (10) Punishment on the Company and its internal personnel in accordance with the laws, the Company's punishment on its internal personnel for violating internal control system regulations, main deficiencies and improvements during the most recent year and up to the date of publication of the annual report: none.

▲(11) Important resolutions of the shareholder's meetings or the board meetings during the most recent year and up to the date of publication of the annual report:

No.	Date	Summary of Motion	Meeting Name	With independent directors voicing opposing or qualified opinions
1	March 19, 2018	<ol style="list-style-type: none"> 1 Adoption of the 2017 Business Report and Financial Statements 2 Adoption of the "2018 Business Plan" 3 Adoption of the "Examination on the Effectiveness of Internal Control System" and "Statement of the Internal Control System" in 2017 4 Adoption of the motion for appointing chief accountants, financial officers and spokesperson & deputy spokesperson 5 Adoption of the motion for discussing "2017 Insider Salary, Raise and Bonus & Remuneration System" 6 Adoption of the motion for establishing "2018 Insider Salary, Raise and Bonus & Remuneration System" 7 Complete the re-election of directors. 8 Adoption of the motion for nominating director candidates by the Board of Directors 9 Adoption of the matters related to 2018 General Shareholders' Meeting 10 Adoption of the motion for "Application for Bank Facility" 	Board of Directors	N/A
2	May 4, 2018	<ol style="list-style-type: none"> 1 Adoption of the "2018 Q1 Consolidated Financial Statements Prepared by the Company Independently" 2 Adoption of the motion for the compensation of profit and loss in 2017 3 Adoption of the motion for Review on Director Candidates' Qualification 4 Adoption of the removal of competition restraints on new directors 5 Adoption of the motion for the capital increase by issuing common shares in cash and the engagement in issuing Global Depository Receipts (GDRs) 6 Adoption of the motion for establishing "Strategic Development & Investment Committee" and the appointment of the chairman. 7 Adoption of the motion for removing competition restraints on managers 8 Adoption of the motion for issuing new restricted employees' shares 9 Adoption of the motion for amending the "Articles of Incorporation" 10 Adoption of the matters related to 2018 General Shareholders' Meeting 	Board of Directors	N/A
3	May 12 2018	<ol style="list-style-type: none"> 1 Resolved to invest in Chimei investment Co., Ltd 2 Resolved to invest in Chimei trading Co., Ltd 	Board's meeting	None
4	June 5 2018	Resolved to partake in 實聯精化's equity fundraising plan	Board's meeting	N/A
5	June 22 2018	<p>Report item</p> <ol style="list-style-type: none"> 1 2017 Annual Business Report 2 2017 Audit Report <p>Recongnition item</p> <ol style="list-style-type: none"> 1 2017 Annual Business Report and Financial Report 2 2017 Proposal to ractify profit and loss <p>Discussion matter</p> <ol style="list-style-type: none"> 1 Propose to issue common share for sponsoring the issuance of GDR 2 Propose to issue restriced shares for employee 3 Amend the Article of Incorporation <p>Election</p> <ol style="list-style-type: none"> 1. By-election of Board of Director <p>Other</p> <ol style="list-style-type: none"> 2. Relieve directors from non-competing obligation 	Shareholder's meeting	None
6.	June 22 2018	<ol style="list-style-type: none"> 1. Nominate Vice Chairperson 2. Appoint Director 	Board's meeting	None
7.	July 31 2018	<ol style="list-style-type: none"> 1 Resolve to change Independent Auditors 2 Resolve to change the registered name of the company and plan for change company's share 3 Resolve to appoint councilor of remuneration committee 	Board's meeting	None
8	August 13 2018	<ol style="list-style-type: none"> 1 Resolve to agree the 2017Q2 consolidated financial report 2 Resolve to investigate arm's length transaction 3 Resolve to appoint board of director of the subsidiary 	Board's meeting	None
9	October 26 2018	<ol style="list-style-type: none"> 1 Resolve to assign a Director representative in 實聯精化 	Board's meeting	Mr Lai-Huang Lo disagree with the investment due to insufficient time for board to

No.	Date	Summary of Motion	Meeting Name	With independent directors voicing opposing or qualified opinions
				considerate such an investment project
10	October 25 2018	Reply to KSCMMT on the matter of share transferring	Board's meeting	None
11	November 6 2018	Resolve that the company's 2018 Q3 consolidated financial statement Resolve to promote managers Resolve to lend and undertaking for subsidiaries Resolve to borrow from bank	Board's meeting	None
12	December 11 2018	Resolve to adjust Directors and Managers' remuneration Resolve to affirm the annual auditing schedule Resolve to amend internal control framework	Board's meeting	None
13	January 14 2019	Resolve to partake in KSCMMT's increase of registered capital Resolve to resign the chairperson Resolve to elect a new chairperson Resolve to nominate a new vice chairperson Resolve to change the legal representative in KSCMMT	Board's meeting	Mr Shun-Chun Tsai made a reserved opinion on the motion to resign the chairperson since lack of information in determination what impact may be cause upon the company
14	January 30 2019	Resolve to make change on registration of subsidiary Resolve to adjust independent director's remuneration	Board's meeting	Mr Shun-Chun Tsai made a reserved opinion on the motion to resign the chairperson since lack of information in determination what impact may be cause upon the company
15	January 30 2019	A subsidiary MaoFon trading resolves to lend CMMT	Board's meeting	none
16	March 11 2019	Resolve to negotiate with bank on extension of indebtedness Resolve to participate in KSCMMT capital increase	Board's meeting	none
17	March 14 2019	Resolve to reduce subsidiaries registered capital	Board's meeting	none
18	March 20 2019	Resolve to enter into bail out scheme	Board's meeting	none
19	March 28 2109	Resolve to call AGM Resolve to provide mortgage to banks	Board's meeting	none
20	April 26 2019	Election By-election of board of directors and independent directors Relieve directors from non-competing obligations	Shareholders meeting	none
21	April 26 2019	Nominate chairperson Resign president	Board's meeting	none
22	April 29 2019	Resolve to restate financial statement	Board's meeting	none
23	May 13 2019	Resolve to compile 2019Q1 consolidated financial statement Resolve to cease GDR listing on SGX Resolve to raising capital through public offering and private placement within the range of 200,000,000 shares Resolve to amend the article of incorporation Resolve to amend financial related internal regulations Resolve to revise 2019 shareholders' meeting	Board's meeting	none

▲(12) Recorded or written statements made by any director or independent director who specified

dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of the annual report: none.

- ▲(13) Resignation and discharge of Chairman, president, accounting officer, financial officer, chief internal auditor and R&D officer, et al. during the most recent year and up to the date of publication of this annual report : See the following table:

May 5, 2018

Job title	Name	Date of appointment	Date of discharge/ resignation	Cause of discharge or resignation
Assistant Vice President and Chief Financial Officer	Wei-Huang Yu	March 1, 2017	February 28, 2018	Resigned due to personal life planning, and the predecessor, Mr. Wei-Chung Lian carries on the function as an Assistant Vice President & Chief Financial Officer.

5. Information about independent auditor:

(1) Information about independent auditor's fees:

1. Independent Auditor's Firm:

Name of CPA Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Ming-Hui Chen	Shu-Jie Huang	2018/01/01-2018/03/31	N/A
PWC	I-Chang Lin	Zi-Meng Liu	2018/04/01-2018/12/31	N/A

2. Independent Auditor's fees:

December 31, 2017; Unit: NT\$ Thousand

Name of CPA Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Note
			System Design	Industry and Commerce Registration	Human Resource	others	Sub-total		
Deloitte & Touche	Ming-Hui Chen	900	Not applicable	61	Not applicable	204	265	2018/01/01-2018/03/31	
	Shu-Jie Huang								
PWC	I-Chang Lin	4,500	Not applicable	0	Not applicable	2,666	2,666	2018/04/01-2018/12/31	
	Zi-Meng Liu								

3. Ranges of independent auditor's fees:

December 31, 2017; Unit: NT\$ Thousand

Amount Range		Items	Audit Fee	Non-Audit Fee	Total
1	Less than NT\$2,000 thousand				
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand			2,931	2,931
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand		5,400		5,400
4	NT\$6,000 thousand (inclusive)~NT\$8,000				
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand				
6	NT\$10,000 thousand (inclusive) and above			-	

- (2) Disclosure of audit and non-audit fees and the contents of non-audit services, if the non-audit fees paid to the independent auditor, CPA firm and its affiliates represent one fourth (1/4) or more of the audit fees: Non-audit fees, amounting to NT\$ 265 thousand, mainly comes from the Industry and Commerce Registration fee NT\$61 thousand, TP master file NT\$ 80 thousand, TP local file NT\$ 124 thousand.
- (3) Replacement of the CPA firm and reduction in audit fees paid during the year of replacement compared with the previous year, if any: Not applicable
- (4) Reductions in audit fees by more than 15% compared with the previous year: not applicable.
- (5) Evaluation on the independent auditor's independence: The Company's Audit Committee evaluates the independent auditor's independence regularly, and reports the evaluation result to the Board of Directors.

6. Information about the replacement of independent auditor: none.
7. Disclosure of any instance of the Company's Chairman, President, and financial or accounting manager having held a position in the CPA firm or its affiliates over the past year: none.
8. Transfer of shareholders' equity and changes in pledge of equity by directors (independent directors), managers, and major shareholders with over 10% shareholding during the most recent year and up to the date of publication of this annual report:

6. Information pertaining to the change of CPA: the Board resolved that 2018/07/31; 2019/04/29

(一) The Predecessor

Date of change	2018/07/31		
Explanation	For the long-term strategy and internal management of the company, the responsible accounting firm is changed from Deloitte to PWC.		
The reason of change	Parties	CPA	Assignee
	Status		
	Termination	N	Y
	Refuse to renew	N	N
The opinion and cause of an Audit Report with reserved opinion within 2 years	None		
Different view between the Auditor and the Issuer	None		
Other disclosure	None		

(二) The Successor

Name of the accounting firm	PWC
Name of the CPA	I-Chang Lin; Zhi-Meng Liu
Date of appointment	2018/07/31
Opinion before appointment	None
Opinion	None

(三) The Predecessor

Date of change	2019/04/29		
Explanation	For the long-term strategy and internal management of the company, the responsible accounting firm is changed from Deloitte to PWC.		
The reason of change	Parties	CPA	Assignee
	Status		
	Termination	N	N
	Refuse to renew	N	N
The opinion and cause of an Audit Report with reserved opinion within 2 years	1. The 2018 consolidated financial report: It states reserved opinion and the significant uncertainty of business on going: On 31 st December 2018, CMMT's inventory worths NT\$ 3,960,047,000 including NT\$ 76,750,000 which cannot be fairly evaluated if loss occurred. Therefore, the auditors cannot reasonably adjust the value of inventory. Further, CMMT's credit lines were frozen by banks causing insufficient liquidity in short-term capital		

	utilization. Despite the board of CMMT resolved to enter into bail out scheme, such scheme itself indicates the significant uncertainty of business operation.
Different view between the Auditor and the Issuer	None
Other disclosure	None

(四) The predecessor

Name of the accounting firm	PWC
Name of the CPA	Zhi-Meng Liu, Chan-Chi Wu
Date of appointment	2018/07/31
Opinion before appointment	None
Opinion	None

(1) Changes in shareholders' equity of directors (including independent directors), managers and major shareholders:

Unit: shares

Job title	Name	2017		In the current year up to April 24	
		Shares held Increase (Decrease)	Shares pledged Increase (Decrease)	Shares held Increase (Decrease)	Shares pledged Increase (Decrease)
Chairman/President	Jau-Yang Ho	5,370,000	0	0	0
Vice Chairman/President	Chun-Hsiung Chen	212,000	0	0	0
Vice Chairperson	Mei-Li Yeh	2,244,000	0	0	0
Director	Chi-Pan Liang	0	0	0	0
Institutional shareholder	BeyondPV Co., Ltd	0	0	1,000	0
Institutional shareholder	Innolux Co., Ltd.	0	0	57,211,305	0
Independent Director	Wei-Ting Liu	0	0	0	0
Independent Director/ Representative of BeyondPV	Lai-Huang Lo	0	0	0	0
Independent Director	Hsiao-Ken Chuang	0	0	0	0
Independent Director	Shun-Chun Tsai	0	0	0	0
Independent Director	Yen-Song Chen	0	0	0	0
Independent Director	Guo-Shih Huang	0	0	0	0
CFO/Assistant Vice President	Wei-Huang Yu	0	0	0	0
CFO/Assistant Vice President	Wei-Chung Lian	550,000	200,000	0	0
Vice President	Chien-Chih Wang	(264,000)	0	0	0
Assistant Vice President	Wan-Yang Li	0	0	(112,085)	0
Assistant Vice President	Shun-Ru Chen	0	0	(9000)	0

(2) Information about the transfer of shareholders' equity:

There are no circumstances that the counterparty of the transfer of shareholders' equity by the Company's directors (independent directors), managers, and major shareholders with over 10% shareholding was the Company's related parties during the most recent year (2018) and up to the date of publication of this annual report.

(3) Circumstances that the counterparties of pledged equity are related parties:

There are no circumstances that the counterparty of the transfer of shareholders' equity by the Company's directors (independent directors), managers, and major shareholders with over 10% shareholding was the Company's related parties during the most recent year (2018) and up to the date of publication of this annual report.

9. Relationship information, if among the Company's 10 largest shareholders, any one is a stakeholder or a relative within the second degree of kinship of another:

April 24, 2018 / Unit: shares

Name/Company and its representative	Shares held by oneself		Shares held by spouse and minor children		Total shares held by proxy		Disclosure of information on related parties as defined in Statements of Financial Accounting Standards No. 6, or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and relationships		Remarks
	shares	shareholding ratio	shares	shareholding ratio	shares	shareholding ratio	Name	Relationship	
							(or name)		
1 Depository receipt account of Chimei Materials Technology Corp. in the Bank of New York Mellon	67,660,280	10.16%	0	0.00%	0	0.00%	N/A	N/A	N/A
2 Innolux Corporation Representative: Jin-Yang Hong	57,211,305	8.59%	0	0.00%	0	0.00%	N/A	N/A	N/A
	0	0.00%	0	0.00%	0	0.00%	N/A	N/A	N/A
3 Ochi Investment Co., Ltd	21,741,000	3.27%	0	0.00%	0	0.00%	N/A	N/A	N/A
4 Shu-Han Shiao	8,974,000	1.35%	0	0.00%	0	0.00%	N/A	N/A	N/A
5 JPMorgan Chase Bank N.A. Taipei Branch in custody for Tribman Group Vanguard Emerging Markets Stock Index Fund Investment	7,609,000	1.14%	0	0.00%	0	0.00%	N/A	N/A	N/A
6 JPMorgan Chase Bank N.A. Taipei Branch in custody for PGIA Total International ETF	7,574,000	1.14%	0	0.00%	0	0.00%	N/A	N/A	N/A
7 Deutsche Bank	6,205,426	0.93%	0	0.00%	0	0.00%	N/A	N/A	N/A
8 Jau-yang Ho	5,720,906	0.86%	109,548	0.02%	0	0.00%	N/A	N/A	N/A
9 Dong-Jun Chiang	5,000,000	0.75%	0	0.00%	0	0.00%	N/A	N/A	N/A
10 Yu-Jia Investment Co.	4,000,000	0.6%	0	0.00%	0	0.00%	N/A	N/A	N/A

10. The total number of shares held in any single enterprise by the Company, its directors, managers, and any companies controlled either directly or indirectly by the Company with consolidated calculation of the comprehensive shareholding ratio.

(1) Overview of investment plans for the coming year

December 31, 2018; Unit: NT\$ thousand; thousand shares

Investees (Name of affiliated company: Note 1)	Main business	Invested shares			Book value (Net worth of equity or market price)	Accounting treatment	Investment return in the most recent year		Holding of own shares	Endorsement/guarantee or financing between the Company and affiliated company, and amount thereof
		Investment cost (Amount)	shares	Shareholding ratio			Investment revenues	Distributed dividends		
Chimei Materials Technology Corp.(Samoa)	Investment and holdings	431,482	13,300	100	777,253	Equity method	(51,902)	N/A	13,300	N/A
Chimei Materials Investment Co., Ltd.	Investment and holdings	4,447,763	146,500	100	3,595,918	Equity method	(378,851)	N/A	146,500	N/A
Maoyu Investment Co., Ltd	Investment business	350,000	35,000	100	284,256	Equity method	(19,256)	N/A	35,000	N/A
Maofon trading Co., Ltd	Trading business	1,001,000	100,100	100	873,405	Equity method	(90,856)	N/A	100,100	1,228,600
CMVT Corp.	Electronic spare parts manufacturing, optical instruments manufacturing, electronic materials retail and wholesale, et al.	205,000	20,500	68.33	69,903	Equity method	(24,496)	N/A	20,500	108,387
Chimei Materials Technology Corp. (Ningbo) (Note 3)	Polarizer cutting, visual examination and packaging	408,510	N/A	100	785,099	Equity method	(51,702)	N/A	N/A	N/A
Chimei Materials Technology Corp. (Kunshan) (Note 3)	Polarizer-related R&D, manufacturing and sale	4,499,748	N/A	49.5	3,596,164	Equity method	(378,861)	N/A	N/A	3,393,346
Chimei Materials Trading Co., Ltd. (Kunshan) (Note 4)	Trading of polarizer	N/A	N/A	49.5	79,631	Equity method	(38,817)	N/A	N/A	N/A
JinYao New Materials Co., Ltd.	Trading	N/A	N/A	49.5	1,764	Equity method	(1,813)	N/A	N/A	N/A

Note 1: The affiliated company refers to the company identified in Article 369-2 and Article 369-3 of the Company Law.

Note 2: Given the limited company, no number of shares is applicable.

Note 3: Invested and held by Chimei Materials Technology Corp.(Samoa).

Note 4: Reinvested and held by Chimei Materials Technology Corp. (Kunshan).

(2) Comprehensive shareholding ratio for the most recent year:

December 31, 2018; Unit: thousand shares; %

Investees	Invested by the Company		Investments by directors, managers, and directly/indirectly controlled entities		Aggregate investment		Via invested subsidiaries
	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	
Cheng Mei Materials Technology Corp.(Samoa)	13,300	100%	N/A	N/A	13,300	100%	-
CMVT Corp.	20,500	68.33%	N/A	N/A	20,500	68.33%	-
CMVT Corp.	3,900	13.00%	N/A	N/A	3,300	11.00%	MaoYu Investment Corp.
Chimei Materials Investment Co., Ltd.	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	-
Chimei Materials Technology Corp. (Ningbo)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Technology Co., Ltd.
Chimei Materials Investment Co., Ltd. (Kunshan)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Technology Corp. (Kunshan)
Sian JinYao New Materials Technology Corp. (Kunshan)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Investment Co., Ltd.
Chimei Materials Investment Co., Ltd. (Kunshan)	None (a limited company)	None (a limited company)	N/A	N/A	N/A	N/A	Chimei Materials Technology Corp. (Kunshan)
Mao Yu Investment Co.,Ltd	35,000	100%	N/A	N/A	35,000	100%	0
Mao Fon Trading Co., Ltd	100,100	100%	N/A	N/A	100,100	100%	0

IV. Fund Raising

1. Capital and shares:

(1) Source of capital stock:

1. Type of shares

Record date : April 30, 2019; Unit: thousand shares

Type of shares	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Ordinary shares	665,729	34,271	700,000	The Company's stock refers to the listed stock.

2. Formation of capital:

(1). Formation of capital

Year/Month	Issue price per unit (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares (Thousand shares)	Amount (Thousands)	Number of shares (Thousand shares)	Amount (Thousands)	Source of capital (Thousands)	Paid in properties other than cash	others
May 2005	10	35,000	350,000	35,000	350,000	Capital for incorporation	N/A	Note 1
November 2005	10	100,000	1,000,000	100,000	1,000,000	Cash capital increase	650,000	N/A Note 2
July 2006	10	250,000	2,500,000	250,000	2,500,000	Cash capital increase	1,500,000	N/A Note 3
November 2007	10	250,000	2,500,000	230,000	2,300,000	Capital decrease	1,000,000	N/A Note 4
						Cash capital increase	800,000	
June 2008	10	300,000	3,000,000	285,000	2,850,000	Cash capital increase	550,000	N/A Note 5
December 2009	12.5	500,000	5,000,000	385,000	3,850,000	Cash capital increase	1,000,000	N/A Note 6
May 2010	10	500,000	5,000,000	419,650	4,196,500	Recapitalization of earnings	346,500	N/A Note 7
October 2011	15.7	500,000	5,000,000	443,170	4,431,700	Cash capital increase	235,200	N/A Note 8
August 2012	23	500,000	5,000,000	491,170	4,911,700	Cash capital increase	480,000	N/A Note 9
September 2014	10	600,000	6,000,000	515,729	5,157,285	Recapitalization of earnings	245,585	N/A Note 10
September 2017	13	700,000	7,000,000	665,729	6,657,285	Capital increase by issuing common shares in cash and issuance of GDRs	1,500,000	N/A Note 11

Note 1: MOEA approval letter under Jing-Shou-Zhong-Zi No.09432129860 dated May 17, 2005

Note 2: MOEA approval letter under Jing-Shou-Shang-Zi No. 09401234500 dated November 28, 2005

Note 3: MOEA approval letter under Jing-Shou-Shang-Zi No. 09501140250 dated July 7, 2006

Note 4: MOEA approval letter under Jing-Shou-Shang-Zi No. 09601280820 dated November 19, 2007

Note 5: MOEA approval letter under Jing-Shou-Shang-Zi No. 09701137240 dated June 12, 2008

Note 6: MOEA approval letter under Jing-Shou-Shang-Zi No. 09801284260 dated December 17, 2009

Note 7: MOEA approval letter under Jing-Shou-Shang-Zi No. 09901132820 dated June 29, 2010

Note 8: FSC Jin-Guan-Zhen-Fa-Zi No. 1000038081 dated August 16, 2011 MOEA approval letter under Jing-Shou-Shang-Zi No. 10001253860 dated November 4, 2011

Note 9: FSC Jin-Guan-Zhen-Fa-Zi No. 1010026539 dated June 21, 2012 MOEA approval letter under Jing-Shou-Shang-Zi No. 10101190820 dated September 17, 2012

Note 10: FSC Jin-Guan-Zhen-Fa-Zi No. 1030026619 dated July 14, 2014 MOEA approval letter under Jing-Shou-Shang-Zi No. 10301180400 dated September 3, 2014

Note 11: FSC Jin-Guan-Zhen-Fa-Zi No. 1060008354 dated March 30, 2017 MOEA approval letter under Jing-Shou-Shang-Zi No. 10601137520 dated September 30, 2017

3. Shelf registration system information: None

(2) Shareholder structure:

Date of suspension of transfer registration: April 24, 2018

Quantity\Shareholder structure	Government agency	Financial institution	Other corporations	Individual	Foreign Institute and others	Total
Number of persons	0	13	190	37,752	80	42,542
Shares held	0	5,186,946	105,976,991	446,652,317	107,912,246	665,728,500
Shareholding ratio	0.00%	0.78%	15.92%	67.09%	16.21%	100.00%

(3) Distribution of equity:

Date of suspension of transfer registration: April 24, 2018

Level of shareholding	Number of shareholders	Shares held	Shareholding ratio (%)
1 ~ 999	11,991	885,785	0.13%
1,000 ~ 5,000	15,639	37,851,314	5.69%
5,001 ~ 10,000	4,504	37,338,978	5.61%
10,001 ~ 15,000	1,453	18,556,813	2.79%
15,001 ~ 20,000	1,191	22,653,019	3.40%
20,001 ~ 30,000	1,019	26,767,800	4.02%
30,001 ~ 40,000	490	18,031,424	2.71%
40,001 ~ 50,000	413	19,632,992	2.95%
50,001 ~ 100,000	720	53,670,825	8.06%
100,001 ~ 200,000	308	44,850,223	6.74%
200,001 ~ 400,000	153	44,032,188	6.61%
400,001 ~ 600,000	58	28,816,734	4.33%
600,001 ~ 800,000	25	17,237,060	2.59%
800,001 ~ 1,000,000	14	13,074,900	1.96%
1,000,001 ~ 999,999,999	57	282,328,445	42.41%
1,000,000,000 and above	0	0	0.00%
Total	38,035	665,728,500	100.00%

(4) Roster of major shareholders: List the names of the shareholders with more than 5% of the shares or shareholding percentage ranking among the top 10, their shares held and percentages:

Date of suspension of share transfer: April 24, 2018; Unit: shares

Name/shares of major shareholder	Number of shares held	Shareholding ratio
Depository receipt account of Chimei Materials Technology Corp. in the Bank of New York Mellon	67,660,280	10.16%
Innolux Corporation	57,211,305	8.59%
Representative: Jin-Yang Hong	0	0.00%
Ochi Investment Co., Ltd	21,741,000	3.27%
Shu-Han Shiao	8,974,000	1.35%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Tribman Group Vanguard Emerging Markets Stock Index Fund Investment	7,609,000	1.14%
JPMorgan Chase Bank N.A. Taipei Branch in custody for PGIA Total International ETF	7,574,000	1.14%
Deutsche Bank	6,205,426	0.93%
Jau-yang Ho	5,720,906	0.86%
Dong-Jun Chiang	5,000,000	0.75%
Yu-Jia Investment Co.	4,000,000	0.6%

(5) Market price per share, net worth, earnings, dividends and related information for the most recent 2 years:

Unit: thousand shares; NT\$

Items		Year	2017	2018	In the current year up to March 31, 2019 (Note 8)
Market price per share (Note 1)	Highest		16.9	13.5	14.45
	Lowest		11.35	6.8	8.56
	Average		13.77	10.33	12.13
Per-share net worth	Before distribution		17.04	15.75	15.70
	After distribution		Note 2	Note 2	-
Earnings per share	Weighted average outstanding shares		665,729	665,729	665,729
	EPS (Note 3)		-2.18	-0.98	-0.21
Stock dividend per share	Cash dividends		Note 2	Note 2	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Investment return analysis	P/E ratio (Note 5)		-6.32	-10.54	-57.76
	Price to dividends ratio (Note 6)		Note 2	Note 2	-
	Cash dividend yield (Note 7)		Note 2	Note 2	-

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest prices of the common stocks for each year, and calculate the average market price for each year based on the turnover value and turnover volume for each year.

Note 2: Given the net loss of NT\$ 655,078,772 in 2018, the Audit Committee and Board of Directors resolved on May 13, 2018 that no remuneration to directors and employees or earnings would be distributed this year and the resolution was submitted to the general shareholders' meeting for ratification.

Note 3: It is necessary to make adjustment retroactively due to stock dividends, please send the EPS before and after adjustment.

Note 4: If the terms and conditions under which the equity securities are issued provide that the undistributed stock dividends for the given year may be accumulated until the year in which earnings are sought, please disclose the cumulative unpaid dividends until the given year separately.

Note 5: P/E ratio = Average closing price per share for the year/EPS

Note 6: Price to dividends ratio=Average closing price per share for the year/cash dividend per share

Note 7: Cash dividend yield=Cash dividend per share/Average closing price per share for the year

Note 8: The net worth per share and EPS shall be based on the information audited (reviewed) by the independent auditor for the most recent quarter until the date of publication of the annual report; the other sections shall be completed based on the information available until the date of publication of the annual report.

(6) Dividend policy and implementation:

1. Dividend policy defined in the Articles of Incorporation

Where the Company has earnings for a fiscal year, the earnings shall firstly be appropriated for tax payment according to the law and compensation of accumulated losses, followed by allocating 10% for the legal reserve; however, if the legal reserve has reached the paid-in capital of the Company, no further allocation shall be made, and the remaining is to be allocated or set aside for the special reserve according to the law. Where there is further remaining amount, the Board of Directors shall draft an earnings distribution motion along with the accumulated undistributed earnings for submission to the shareholders' meeting for resolution on the distribution of shareholders' dividends.

The Company's dividend policy is established to cope with the current and future development plans. With the consideration on factors of the investment environment, fund demand and domestic and international competition status along with the concerns on the interest of shareholders etc., no less than 20% of the distributable earnings allocated each year shall be distributed for the shareholders' dividends, provided that when the accumulated distributable earnings is lower than 50% of the paid-in capital, no distribution is to be made.

The distribution of shareholders' dividends for common stocks may be made in combination of cash and shares; the distribution of cash dividends shall not be less than 10% of the total dividends of common stocks.

2. Dividends to be distributed proposed at the shareholders' meeting:

Since there was a net loss after tax of NT\$ 655,078,772 in 2018, the Board of Directors

resolved on May 13, 2019 that there would be no dividends distributed, but the proposal is awaiting approval by the 2019 General Shareholders' Meeting.

3. Expectation of the significant change in dividend policy: none.

(7) Effects of stock grants proposed at the shareholders' meeting on the Company's operating performance and EPS:

According to the letter under Tai-Cai-Zheng(1) No. 00371 dated February 1, 2000, the Company didn't prepare or publish its 2018 financial forecast information. Therefore, it is not applicable here.

(8) Remuneration to employees and directors (including independent directors):

1. Employees' and directors' (including independent directors')/supervisors' remuneration policies as stated in the Articles of Incorporation:

Where the Company has earnings for a fiscal year, no less than 2% shall be appropriated as the employee remunerations, and the Board of Directors shall resolve whether it is to be issued in the form of shares or cash, and the target for issuance include the Company's employees qualifying a certain criteria. The Board of Directors is authorized to establish specific rules for such issuance. For said earnings of the Company, the Board of Directors shall resolve that no more than 1% is to be appropriated for the remunerations of directors. Employee remuneration and director remuneration allocations shall be reported to the shareholders' meeting. In case of accumulated loss of the Company, the amount shall be reserved to compensate for the amount, followed by allocating for the employee remuneration and director remuneration according to the proportions specified in the preceding paragraph. Where the employee remuneration is issued in the form of new shares, then the number of employee remuneration shares shall be calculated according to the existing laws and regulations.

The "Earnings" of the Company refer to the profits before tax and before the deduction of employee remuneration, which is to be allocated all at once.

2. Basis for estimating the employee and director (including independent director) remuneration for this period, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

If there are any discrepancies with the estimated values, then they are to be processed with the accounting treatment for estimation change, and are adjusted and entered into account next year.

3. The distributed remuneration resolved by the Board of Directors:

①: The employee remuneration paid by cash or shares, and the remuneration of directors and supervisors. If there are any discrepancies with the estimated value in the expense recognition year, they shall be disclosed along with the reason and treatments:

There was a net loss before tax in 2018, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.

②: Proposed distribution of remuneration to employees in shares as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period

There was a net loss before tax in 2018, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.

4. If there are any discrepancies between the actual distribution of remuneration of the staff, directors and supervisors in the previous year (including the number of shares distributed, amounts and share price) and the recognized remuneration of the employees, directors and supervisors, then the discrepancy number, causes and treatment shall be illustrated:

There was a net loss before tax in 2017, and the remuneration of employees, directors and supervisors have not been recognized. Thus it is not applicable here.

(9) Repurchase of the Company's shares: none.

2. Issuance of corporate bonds: none.

3. Issuance of preferred stock: none.

4. Issuance of GDRs:

Date of data: May 13, 2018

Date of issuance (offering)		September 15, 2017	
Item			
Issue date		September 15, 2017	
Issuance and trading location		Singapore Exchange Ltd.	
Total sum issued		US\$ 64,912,500	
Issuance price per unit		US\$ 17.31	
Number of units issued		3,750,000 units	
Sources of represented securities		Common stock by public offering The securities denoted by the depository receipt come from the Company's issuance of 150,000,000 common stocks in cash	
Quantity of represented securities		Unit quantity of represented securities The Company's common stock totaling 40 shares	
GDR holders' rights and obligations		as same as the outstanding shares	
Consignee		Not applicable	
Depository institution		The Bank of New York Mellon	
Custodian institution		Mega Bank	
Unredeemed balance		As of April 30, 2019, the unredeemed balance was 169,150,720 units, which was about 67,660,280 shares.	
Allocation of expenses incurred at issuance and over the duration		Issuance expense: Amortized by the issuing company Related expenses incurred over the duration: Amortized by the issuing company	
Key terms of the depository and custodian agreements		The depository institution exert the rights and duties in proxy for the holder of depository receipt, and the custodian institution keep the common stocks denoted by the depository receipt in custody.	
Market price per unit (Note)	2017	Highest	Not applicable
		Lowest	
		Average	
	During the current year up to May 5, 2018	Highest	
		Lowest	
		Average	

Note: According to the Prospectus, this is over-the-counter (OTC), and thus the reference price can only be the unit issue price of US\$ 17.31.

In the event of injection of working fund or repayment of debt, please provide comparative descriptions about increase/decrease in current assets, current liabilities and total liabilities, interest expenses and operating revenue and EPS, and also analyze the financial structure:

The surplus item of the Company's capital is the procurement of materials overseas but not for "fulfilling operating capital and debt payment", and thus is not applicable here.

5. Issuance of employee stock warrants: none.

6. Issuance of new restricted employees' shares: none.

7. Issuance of new shares upon any merger and acquisition with other companies: none.

8. Notes to implementation of the Company's capital allocation plans:

1. Previous year: Total funds required by the plan for capital increase by cash and the issuance of GDRs in 2017

(1) The common stock issuance was 150,000,000 shares and was submitted to the Securities and Futures Bureau, FSC for approval. The record date for issuance was September 12, 2017. Each unit of GDR denoted 40 common shares of the Company. The GDRs were listed in Singapore Exchange Ltd. The market price of the GDR was US\$ 17.31 per unit. The total issue amount were US\$ 64,913,000.

(2) Capital allocation plan and status of capital allocation

Unit: NT\$ thousand

Program	Implementation				Ahead or behind schedule, reason and corrective action		
Procurement of materials overseas	2017 Q3	Advance	Scheduled	1,950,000	The Company allocated its funds in the procurement of materials overseas based on the original capital allocation progress. However, the execution has not been completed as of the third quarter. The main reason is that the Company has not finished raising funds until September 12, 2017. The unused funds will be wholly dispensed before 2017 Q4.		
			Actual	127,873			
		Implementation progress (%)	Scheduled	100.00%			
			Actual	6.56%			
	2017 Q4	Advance	Scheduled	0		As of December 31, 2017, the actual amount that Company has dispensed was NT\$ 1,477,419,000. The actual execution progress was 75.77%. The Company allocated its funds in the procurement of materials overseas based on the original capital allocation progress. However, the execution has not been completed as of the fourth quarter. The main reason is that part of the overseas material procurements concentrated at the end of the quarter and that the payment has not been due. The unused funds will be wholly dispersed before 2018 Q1.	
			Actual	1,349,546			
		Implementation progress (%)	Scheduled	100.00%			
			Actual	69.21%			
	2018 Q1	Advance	Scheduled	0			As of March 31, 2018, the actual amount that Company has dispensed was NT\$ 1,950,000,000. The overall implementation progress of 100.00% has been fully utilized.
			Actual	1,950,000			
		Implementation progress (%)	Scheduled	100.00%			
			Actual	100.00%			

2. Current: 2018 implementation of the Company's capital allocation plans

Program	Implementation				Ahead or behind schedule, reason and corrective action
Procurement of materials overseas	2018 Q1	Advance	Scheduled	0	The Company's actual expenditure was NT\$1,950,000,000 till 31 st March 2018. Such an expenditure was on schedule.
			Actual	1,950,000	
		Implementation progress (%)	Scheduled	100.00%	
			Actual	100.00%	

(3) Expected benefits

If the total fund required by the plan is raised from the bank loan, the Company's facility will be cut drastically and the Company's dependence on banks will be increased relatively. Under such circumstances, the Company's fund allocation will be affected adversely due to limited facility granted by the financial institute and poor finance, in the event of poor economy or business environment. Given this, the Company's financial and operating risk will be

increased accordingly. Therefore, the Company utilizes the fund raised from capital increase by cash and the issuance of GDRs to cover the procurement of materials overseas, so as to reserve the flexible fund allocation for the Company, maintain stable revolving fund to meet future business needs and keep the Company's competitiveness.

V. Overview of Operation

1. Contents of business:

(1) Scope of business:

The business scope of the Company is as the follows:

The Company is primarily engaged in the upstream optical film materials and components of LCD and focuses its business on such important component “Polarizer.” Its specialty covers dyeing technology and precision bar coating technology. By integrating the optical and chemical engineering materials, the Company provides products of economic scale and mass production effect on the market.

Following the increasing demand for touch panels in the recent years, the demand for related parts and materials has also increased relatively. Therefore, the Company started to develop the optical pressure sensitive adhesive exclusively for the module of touch panel since 2011. For the time being, the Company still maintains its sales of such adhesive.

Subject to the diversity of customers, the Company has increasingly developed and extended new production application areas. After achieving the relevant sales, the Company’s entire business sales is expected to be developed upward.

1. Weight of business

Unit: NTD thousand; %

Main product	Purpose	2018	
		Net Revenues	Weight of business (%)
Polarizer	Polarizer refers to a component critical to LCD, which enables plastic materials to possess the polarized light characteristics through chemical engineering and optics technologies to display captions or pictures.	10,493,294	82.19
Polarizer coil materials		1,911,315	14.97
others	Chemicals, <i>et al.</i>	362,535	2.84
Total		12,767,162	100.00

※ Current products:

(1). Upstream key components of TFT-LCD-”Polarizer”

Focus on the application products for large-size LCDs, such as the grinding LCD with economic size of 40, 50 and 58 inches, and the polarizers with high-contrast, high-penetration, high-resolution, heat-resistance and humidity-resistance characteristics.

(2). The ultra-thin polarizer exclusive for IPS LCD and the high-durability polarizer exclusive for vehicles, and transparent optical adhesive with high-contrast, high-penetration, special surface treatment and exclusive for touch device characteristics.

(3). High-humidity-resistant PET and COP Polarizer

(4). Polarizers for OLED of small and medium sizes.

(5). Key components for touch module - ”General optical pressure sensitive adhesive” and “UV hardness optical pressure sensitive adhesive.”

※ Future products: The Company will develop and sell the following per the demand in the market:

(1). Primarily engaged in the Polarizer for large-size TV.

(2). Continue to develop and produce ultra-thin polarizers exclusive for IPS mobile phone with characteristics like high-contrast, high-penetration and low-rank touch-surface treatment.

(3). Development of new recipes to increase the optical and weather resistance characteristics of polarizer products.

(4). Develop and manufacture vehicle onboard polarizer products.

(5). Develop and manufacture polarizers for OLED of small and medium sizes.

(2) Overview of the industry:

1. Industry status and development

Polarizer refers to an important material of the upstream component for LCD. Each piece of LCD needs two pieces of Polarizer to work with the LCD to control light and form the picture.

For the time being, among the downstream industries which apply Polarizers, the large-size TFT-LCD has been applied extensively due to LCD TV, LCD monitor, notebook and pad. Meanwhile, the size of devices which apply the Polarizer tends to be larger and larger, and the demand for such consumable electronic products as pad, smart phone, digital camera and onboard devices, and personal wearable device, expansion and virtual-reality monitor still drive the demand for Polarizer in the market.

For the time being, there is difficulty in entering into the polarizer industry. Technically, as the 10.5th-generation LCD plant has been developed, the difficulty to enter into the polarizer manufacturers' production technology will increase relatively, and the R&D expenditure will be expanded constantly. As a result, it is difficult for newcomers in the industry to achieve similar output and production scale. Meanwhile, the key raw materials of the polarizer industry are still monopolized by a few Japanese manufacturers. The newcomers shall establish stable raw materials supply sources and then may have the chance to achieve stable production. Generally speaking, a polarizer is still an important component for LCD for the time being and there is no other alternative for it. Besides, the threshold for launching into the polarizer industry is strict and the industrial structure is unlikely to change substantially in the near future. Following the growth of the LCD industry scale, the polarizer industry's growth is still as expected.

In 2017, the new LCD production capacities developed continuously in Mainland China indeed created huge market opportunities for polarizer manufacturers.

According to the data published by Displaybank, the global demand for polarizer was about 463 million square meters in 2016, including 114 million square meters in the territories of Mainland China, *i.e.* 24.6%, while the GAGR was 39%, higher than the global GAGR, 8%. The Company took the chance to arrange its layout, and invested in the establishment of the full-process polarizer plant for the front-end engineering in Kunshan in 2014. So far, the plant is still under construction. After the plant is completed in 2017, the Company's production capacity of polarizer is expected to increase, and the Company will work hard to develop and seek its market share of polarizer in Mainland China.

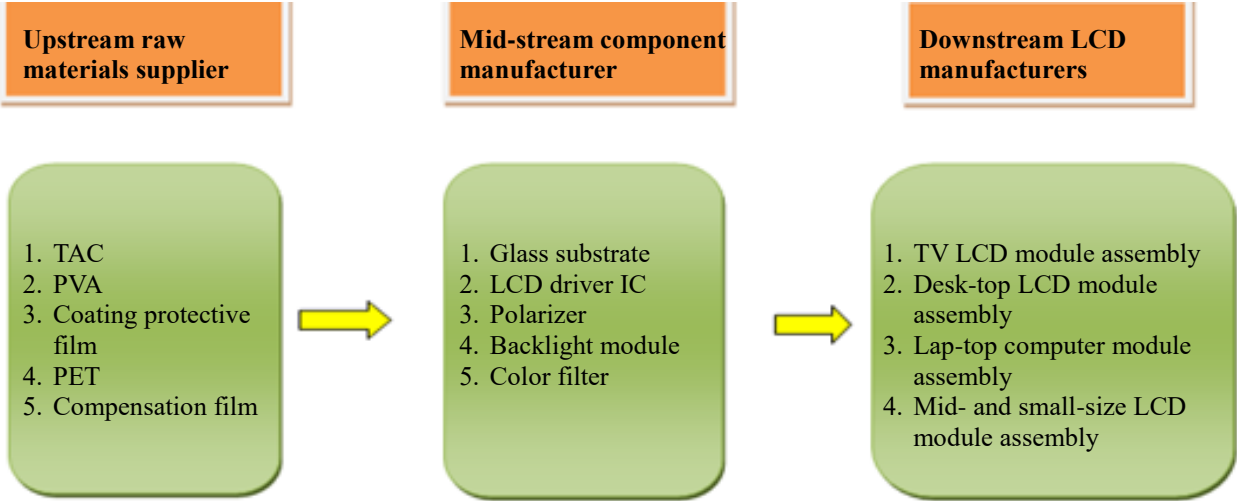
Manufacture		Number of generations	Yearly production capacity (10 thousand pieces)	Yearly demand for polarizers (10 thousand square meters)	Commissioning time (A.D.)
BOE	Hefei BOE	10.5	108	2400	2017
BOE	Fuzhou BOE	8.5	144	1800	2017
BOE	Jin Yang BOE	8.5	144	1800	2017
HKC	HKC	8.6	72	940	2017
CEC	Xianyang CEC	8.6	108	1400	2017
BOE	BOE	6	54	350	2017
CSOT	China Star Optoelectronics Technology	6	36	230	2016
AUO	AU Optronics Corp.	6	36	230	2016
CSOT	China Star Optoelectronics Technology	8.5	120	1500	Q2 of 2015
CSOT	China Star Optoelectronics Technology	11	140	2800	2019
CEC	Nanjing China Electronics Panda Crystal Technology Corporation (CEC Xtal)	8.5	72	900	Q1 of 2015
BOE	Chongqing BOE	8.5	108	1400	Q1 of 2015

For the time being, among the mainstream raw materials of the polarizer market, the TAC film for the TFT-LCD are primarily supplied by the two Japan-based manufacturers, FUJIFILM (FUJIFILM Holdings Corporation) (hereinafter referred to as "FUJIFILM") and Konica Minolta (Konica Minolta Holdings, Inc. (hereinafter referred to as "Konica Minolta") globally. Recently, TacBright Optronics Corp. based in Taiwan and HYOSUNG based in Korea have joined the TAC

industrial chain. PVA films are primarily supplied by Kuraray (Kuraray Trading Co., Ltd.) (hereinafter referred to as “Kuraray”) and The Nippon Synthetic Chemical Industry Co.,Ltd. (hereinafter referred to as “Nippon Synthetic Chemical”). The primary coating treatment film manufacturers are Dai Nippon Printing Co., Ltd. (hereinafter referred to as “DNP”) and TOPPAN. Further, PET and compensation film suppliers are primarily Japan-based leading manufacturers. Apparently, the main raw materials of polarizer are still controlled by Japan-based manufacturers and, therefore, subject to the upstream suppliers, the polarizer manufacturers’ negotiation for price is subject to some restrictions when they wish to purchase the materials. Recently, the Mainland China manufacturers also worked hard to arrange their layout. The types of applied technologies and products are still under development.

Since then, the Company will continue to strengthen the layout for cooperation with upstream materials suppliers and work with downstream customers for product development. Generally speaking, the new LCD size and new product output increase constantly. Therefore, the demand for polarizers is expected to increase year by year.

2. Links between the upstream, midstream and downstream segments of the industry



(3) Overview of technology and R&D:

The products of the Company have gained a promising share in the market; therefore, in the future, in addition to stabilizing the production capacity of polarizers, new products will be developed continuously in order to achieve the objective of diversity of products.

1. With the growth of shipments of TV LCDs, the demand for large TV polarizers also increases. To cope with the market demand, the weight of polarizer products for large TVs is adjusted higher accordingly, and the research and development direction will head toward the production of polarizers with the characteristics of high contrast, high transmissivity, resistance to high temperature and high humidity etc. in order to provide products of high quality and low cost to customers such that the competitive advantages of products of Chimei Materials are increased.
2. R&D and production of ultra-thin Polarizer exclusive for IPS mobile phone with such characteristics as high-contrast, high-penetration and low-rank touch-surface treatment.
3. Development of new recipes to increase the optical and weather resistance characteristics of polarizer products.
4. Research and development as well as manufacturing process with increased production machine speed as the improvement goals in order to significantly increase the product competitiveness of the Company.
5. Develop and manufacture vehicle onboard polarizer products.
6. Develop and manufacture polarizers for OLED of small and medium sizes.

The Company will continue to obtain the market demand and trend information and

perform research and development as well as manufacturing of relevant products according to the future market demands at all times in order to achieve the objective of product diversity and in light of closely associating the product characteristics of the Company with the industry.

1. R&D personnel and their educational background and work experience

Unit: person

Items \ Year	2017		2018		2019 and until March 31	
	Number of person	Percentage	Number of person	Percentage	Number of person	Percentage
Master and above	28	44.44%	33	58.93%	34	59.65%
College	29	46.03%	20	35.71%	20	35.09%
High school	6	9.52%	3	5.36%	3	5.26%
Total	63		56		57	
Average seniority	5.42		5.17		5.33	

Note: Since 2015, the R&D process technicians' related expenses have been classified into the manufacturing expenses, instead of R&D expenses.

2. Further expenditures expected for research and development work in the most recent five years

Unit: NT\$ thousand

Items \ Year	2014	2015	2016	2017	2018
R&D expenses (A)	329,436	277,126	338,671	440,846	449,827
Net operating revenues (B)	15,818,286	12,747,295	10,374,172	11,440,772	12,767,162
(A)/(B) (%)	2.08%	2.17%	3.26%	3.85%	3.52%

3. Successful development technical or product in the most recent Six years

Year	Contents of R&D results
2013	High-humidity-resistant PET and COP Polarizer High-penetration polarization for 4K2K Anti-shatter film (ASF) 25u Zero TAC polarizer for small-size and mid-size IPS APCF + IPS zero TAC polarizer
2014	High-penetration PET and COP Polarizer supply 4k2k Ultra-thin 90u IPS(20u Zero TAC) polarizer Single IPS Compensator polarizer Polarizer for OLED Smart-window insulation film
2015	Low-bending IPS type polarizer UV-curing type OCA OCA integrative polarizer EWV TYPE onboard polarizer IPS TYPE onboard polarizer Ultra-thin 78u IPS(20u Zero TAC) polarizer
2016	MOEA industrial upgrading innovation platform guidance plan Development of high-durability and high-water resistance onboard polarizer materials
2017	HCLR/COP VA Polarizer Ultra-thin 98u IPS Polarizer exclusive for ULTRA-NOTEBOOK 96u Ultra-thin OLED Polarizer Super-high Conductivity IPS 76u Polarizer FOR INCELL DESIGN Sunglass-free 82u small and medium Polarizer

Year	Contents of R&D results
	Industrially controlled 85°C/85% temperature/humidity durable Polarizer
2018	PET/PK3 VA Polarizer PET/ZERO IPS Polarizer Ultra thin 76u IPS Ultra-Note Book Polarizer Thick 150u-APCF Polarizer for mobile Alien U-Shape/Notch Shape Polarizer for mobile 115u integrated black OLED for mobile device IPS Type vehicle E-Mode Type compensation layer Polarizer

(4) Long-term and short-term business development plans:

1. Short-term business development plans

(1). Marketing strategies and production strategies

①. Marketing strategies:

- ❶ Expand the customer base and keep expanding the proportion of operating revenue in the China market.
- ❷ Upgrade market share of medium and small size panel.
- ❸ Develop new technology product and high-quality polarizer for customers, and keep exchange of the both parties' technology and market movement to become the supply partner trusted and relied on by customers, and stably continue to expand the market share.
- ❹ Expand automated production, lower HR costs and increase availability rate to enhance the competitiveness of polarizer in the market based on the production strategies.

The Company controls the market information about supply and demand of polarizer to continue establishing closer production and marketing supply coordination channels with existing customers. Comply with customers' requirement, develop technology and develop and sell products which meet customers' need to ensure that the Company achieves the operating profit objectives.

②. Production policy:

- ❶. Continue to improve production process and rationalize the production system.
- ❷. Respond to customers' need rapidly, and value quality and quantity evenly.
- ❸. Cherish raw materials and supplies to reduce production loss.
- ❹. Value safety and environmental protection.

③ Development orientation of products

Enhance the optical characteristics of polarizer against LCD monitors, develop new material application, and move toward enhancement of basic polarizer functions and integration of added functions to achieve more environmental and energy-saving products.

(2). Scale of operation

Automate production and marketing information to link with market information and in-house production plan and procurement strategies and control raw materials, semi-finished goods and finished goods effectively to reduce the operating cost and increase profit.

(3). Financial coordination

Prepare the optimum planning for financial structure, manage working fund actively to reduce the risk over business administration.

Establish well-founded and diversified fund-raising channels, and close cooperative relationship with financial institutes.

2. Long-term business development plans

(1). Marketing strategies

Develop new technology and product and high-quality polarizer available to customers, and keep exchange of both parties' technology and market movement to become the supply partner trusted and relied on by customers, and stably continue to expand the market share.

Expand automated production, lower HR costs and increase availability rate to enhance the

competitiveness of polarizer in the market based on the production strategies.

(2). Scale of operation

Expand the business scale for a long term with the polarizer used by TFT-LCD large-size TV and mobile device, which is of competitiveness; develop the products applying OCA to expand the area of OCA products.

(3). Financial coordination

To be in line with the growth of long-term scale of operation, the Company will enhance the financial structure and utilize well-founded and diversified fund-raising channels to establish the optimal funding portfolio.

2. Overview of the market, production and marketing:

(1) Market analysis:

1. Territories where main products (services) are sold (provided)

Unit: NT\$ thousand

Territory		2017		2018	
		Sales amount	Percentage (%)	Sales amount	Percentage (%)
Domestic marketing		3,313,760	33.55	3,046,250	23.86
Export sales	Asia	8,127,012	66.45	9,720,912	76.14
	Subtotal of exportation	8,127,012	66.45	9,720,912	76.14
Total		11,440,772	100	12,767,162	100

2. Market share

According to the latest report made by the market survey organization, Fuji Chimera Research Institute, Inc., the overall production of polarizer market scale attained 229.4 million square meters, the projection of overall production is likely to reach 253.6 million square meters in 2020.

For the primary suppliers' market shares, Nitto Electronic Equipment Co. Ltd. ranked 1st place for the market share. LG Chem ranked 2nd place for the market share in the markets including FPR market. Sumitomo Chemical Co., Ltd. ranked 3rd place for the market share. Meanwhile, depending on the various elements, such as polarizer suppliers' technical strength, competitiveness in supply of auxiliary materials and production capacity, the suppliers' strength in various application products vary. For the market share of polarizer, CMMT ranked one of the top 4 suppliers.

3. The supply and demand situation and growth of the future market

The Company maintained its stable output of the production base of Tainan Plant, proceeded with de-bottleneck, and enhanced its production capacity and export in 2018. Meanwhile, it will be in line with the exchange of the upstream raw material suppliers' next generation film materials with respect to the application of polarizer for TV, research and develop new materials to replace TAC film materials, and work with the in-house LCD manufacturer to upgrade TV polarizer output and production capacity utilization rate via a new type of production process.

With regard to the polarizers for mobile devices, ultra-thin polarizers, multi-functional polarizers and polarizers for specific fields (such as vehicle market...etc.) will continue to be jointly developed with the main sales clients. In addition, new customers will be developed continuously while maintaining the flexible production adjustment and planning in order to achieve the business demands of customers and to ensure the maximum flexibility in the production and sales of the Company as well as the reasonable level of inventory.

4. Niches in competition

(1). R&D personnel's sound and professional experience

The dyeing and extension of PVA film in the production process of polarizer and fitness of PVA

and TAC are critical to the entire production efficiency and quality level of the products. The Company's related staff have accumulated professional expertise in the production process and design of mass production equipment, and have caught up with the advanced manufacturers' technical level. By participating in the front-end design development of equipment and making the detailed modification independently, they achieved the production process required by the Company and upgraded the production efficiency and quality. Meanwhile, the Company's equipment design adhered to conservative and stable strategies and would go through careful evaluation. All of the designs would take the mass production possibility into consideration and be judged based on production effects.

Meanwhile, the Company owns the excellent R&D team dedicated to providing samples to be certified by customers by improving the production process and technology on an on-going basis and per the customers' need for new product development, so as to improve the characteristics of products, upgrade the product quality, and enhance the enterprise's competitiveness.

(2). Ability to develop product and equipment

A polarizer is an important component of LCD. Function and specifications of the polarizer will be critical to the performance and quality of polarizer. Therefore, at the beginning when the product and equipment are designed, polarizer manufacturers must clearly verify the LCD manufacturers' requirements and then verify the optimum materials and design. Besides, since some gaps in professionalism and information exists between the LCD manufacturers and raw materials suppliers, which need to be integrated rapidly, the polarizer manufacturers shall play the role responsible for communication and integration. The Company has fair cooperative relationship with the upstream and downstream dealers, and is very experienced in putting products into mass production rapidly, able to integrate the requirements among raw materials suppliers, polarizer manufacturers and LCD manufacturers and correspondent supply capacity to achieve the common agreement on reciprocal cooperation and thus boost the development plans for new products jointly. Through the vertical integration, the Company may shorten the development timeframe and cost of downstream LCD manufacturers sharply and also the time to market of the LCD manufacturers' products, and significantly strengthen the competitiveness of customers' products to achieve the effect of mutual benefit.

(3). Already launch into potential markets

The Company's production technology and pricing competitiveness with respect to the mainstream LCD models can afford to compete with the international leading manufacturers. The Company works with LCD manufactures and thus may supply goods nearby. The Mainland China government strongly cultivates the local LCD industry and boosts locally-made LCD and, therefore, the local LCD manufacturers' production capacity is upgraded greatly. As a result, the supply of polarizer cannot meet the demand thereof. The Company's plant in Kunshan is expected to start the mass production from 2018. Then, the market share of the Company's LCD plant invested by Mainland China is expected to increase.

The Company strengthens the quality of its own products and actively controls customers' development orientation and needs, and develops the products which meet the market trend per customers' requirement to further develop the cooperation with customers and strive for repeat order. Expecting that the demand for polarizer is increasing in the Mainland China market, the Company works hard to develop local customers. Because the Company keeps improving its product quality and production process, its polarizer is recognized by the leading LCD manufacturers in Mainland China and starts to accept order therefor.

Meanwhile, expecting that the demand for onboard audiovisual equipment is increasing in Mainland China, the Company works hard to launch into the onboard LCD market in Mainland China to strive for repeat order.

(4). Cost Competitiveness

The Company's production technology philosophy highlights the pursuit of competitiveness in cost in a reasonable manner. Therefore, the Company keeps taking corrective plans to improve the production management indicators, such as yield rate, loss, cutting utilization rate and first pass yield (FPY), as well as human resource organization, in order to keep cutting the production cost. The Company is able to develop testing machines on its own to enhance the automated operations and reduce labor costs and also dedicated to shortening the development time and urge the production scale to become stable as soon as possible to upgrade the entire competitiveness. Therefore, the Company has the specific competitiveness in product cost, compared with the others in the same trade. Meanwhile, the Company maintains stable and reliable cooperative relationship with downstream customers and may control any changes of the order placed by the downstream customers and control the inventory of supplies effectively. The Company also reduces idle materials as possible it could, but no shutdown resulting from failure to prepare materials timely or shortfall of material or concern about waste derived from expiration of the materials would occur; therefore, the Company's strength in cost of the polarizer products is enhanced.

5. Advantage and disadvantage of long term development and reaction strategy

※ Advantage:

(1). LCD market application remains extensive and prevailing

LCD is applied to LCD TV and small-size and mid-size consumable mobile devices, such as mobile phones, smart phones, digital cameras and monitors. The application is extensive and prevailing in the market, so that the entire consumer market demand for LCD is considered high. Particularly, electronic products keep evolving. New technology is used to arousing a new wave of needs. In terms of the current market trend, application of LED back-light module and 3D image will upgrade the demand for LCD TV or result in replacement of TV with new generation. Large-size TVs, small-size and mid-size mobile devices and pads will become the mainstream products in the future. Meanwhile, consumable electronic products drive growth of consumers' demand drastically upon the economic recovery. Such related applications help increase the demand for LCD continuously and thereby drive the growth of business scale for such industry as upstream LCD components including polarizer indirectly.

(2). Mainland China invests in the LCD industry actively and, therefore, the demand for upstream components has increased sharply.

According to the new LCD productivity released by Mainland China for the following three years until 2018, the polarizer manufacturers will have tremendous market opportunities therefor. The production capacity of LCD in the territories of Mainland China is growing rapidly and thereby drives the increasing demand for related upstream components. As one of the critical components, the demand for polarizer is also increasing significantly. In the following three years, new production capacity of LCD will be released and, therefore, the demand for polarizer will increase again. Upon completion of the Company's plant in Kunshan, the Company's market share in the polarizer market will be upgraded accordingly.

Meanwhile, expecting that the demand for onboard audiovisual equipment is increasing in Mainland China, the Company works hard to launch into the onboard LCD market in Mainland China to strive for repeat order.

(3). It is difficult for new competitors to launch into the market, as the product certification takes a long time.

Polarizer is a critical component of LCDs. In order to prevent upstream products from non-conformance with the existing standard specifications, LCD manufacturers will certify and control production lines of polarizer. As it takes a long time to certify the products and LCD manufacturers intend to maintain their product quality, generally they are reluctant to try the materials provided by new suppliers. For the time being, the domestic LCD market is monopolized by certain manufacturers. The leading LCD suppliers who supply goods steadily possess the

advantages. As a result, new polarizer manufacturers will encounter certain difficulties.

※Disadvantage and Reaction Strategy

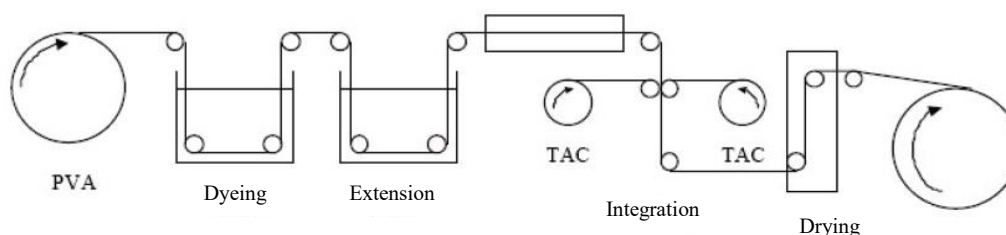
Disadvantages	Reaction Strategy
The production still relies on imported raw materials.	The speed of production capacity of the polarizer industry each year is highly correlated to the speed of materials supply. The Japan-based raw materials suppliers who control the polarizer TAC, PET and COP permanently are FUJIFILM and Konica Minolta, Toyobo and Zeon. The Company applies bulk buying and works hard to seek reasonable price reduction from suppliers. Meanwhile, it maintains long-term and fair relationship with the main suppliers. Meanwhile, in order to prevent natural calamities in Japan from affecting the global economic market and thereby causing the raw materials supply sources to suffer trouble, the Company increases the 2nd priority supply source of the raw materials and also looks for alternative raw materials in other territories to spread the risk over excessive consolidation of purchasing operations. For the raw materials TAC, PET and COP existing in a monopolized market, the Company also continues to observe the other domestic TAC film manufacturers launching into the industry and testing their product quality, in the hope of changing the upstream raw materials suppliers' competitive structure. Meanwhile, the Company actively strengthens control and evaluation of the safe inventory and establishes emergency response organization and framework plan, so that the Company may take effective actions to respond to any incidents immediately to mitigate the Company's risks and loss as much as it possibly can and ensure mitigation of the risk over shortfall of materials.
In line with downstream customers' demand for price reduction of polarizers.	In order to meet the downstream LCD manufacturers' large demand and request for stable gross profit, the Company will cut costs and upgrade the competitiveness of products by adjusting product portfolio, keeping upgrading the yield rate of production lines and maximizing the available rate of production capacity. To be in line with the future demand for consumable electronics, the Company works hard to develop the market of mid-size and small-size LCD customers and applies compound cutting in the hope of upgrading the utilization rate of raw materials to create extra profits, and also deals with downstream customers' request for price reduction by keeping developing new products.
The drastic fluctuation in the foreign exchange rate for JPY affects the Company's cost of materials.	In order to evade risks over fluctuation in foreign exchange rate, financially, the Company underwrites forward exchange contracts to hedge the effects caused by drastic fluctuations in foreign exchange rate, and also plans to introduce domestic suppliers, in the hope of increasing the proportion of domestic purchasing operations, shortening purchasing time and reducing the dependence on Japan-based manufacturers to mitigate the foreign exchange rate risk by hedging instruments.

(2) Usage and manufacturing process of the Company's main products:

1. Important purpose of main products

Main products (commodities)	Important purpose or function
Polarizer	<ul style="list-style-type: none"> ■Polarizer enables plastic materials to possess the polarized light characteristics through chemical engineering and optics technologies, which refer to a light guide plate which permits only one-direction light permeability. ■One piece of polarizer is required in the process of production of LCD at the top and bottom, respectively, and shall be embedded in alternate directions. ■The main purpose is to enable the source of light to generate a phased difference to reflect brightness and darkness in electric field and non-electric field, so as to display caption or picture.

2. Production process of main products: As shown in the following chart.



Source of data: Topology Research Institute, 2010/06

(3) Supply condition of the Company's major raw materials:

The main materials and suppliers of polarizers are stated as follows:

Composing materials	Function	Main suppliers
Coating treatment film	*Reduction of reflection and anti-glare *Enhanced visual effects	Nippon Paper,DNP,FUJIFILM,Toppan
PVA	Polarized light mechanism	Kuraray
PET	Protection of adhesive glue	Mitsubishi Chemical, Toray
Protective film	Protective polarizer	Fujimori Kogyo,Nitto Denko, Sun A.Kaken,LG Chem
Compensation film *TAC *COP	Reduce light leakage volume when the LCD monitor turns to dark, compensate contrast and color, and support and protection of polarizer, <i>et al.</i>	FUJIFILM,Konica Minolta,Zeon,,Teijin
PSA	High-durability	Soken,Saiden,NCI,Fujimori Kogyo
PET	Replace TAC as PVA protective layer	Toyobo.

For the time being, the main suppliers all come from Japan, and the market is monopolized by Japan-based suppliers. Notwithstanding, the Company is used to maintaining fair relationship with suppliers and can satisfy the production need by supply sufficient materials. Recently, many domestic/foreign suppliers have invested in the development of the related materials. This will benefit the safety of main materials supply. For the time being, the Company's main raw materials supply is considered well, and the source of materials is stable and reliable.

(4) The list of customers accounting for 10 per cent or more of the Company's total procurement (sales) amount in either of the most recent two years:

1. Information about the main suppliers for the most recent two years

Unit: NT\$ thousand

Year	2017				2018				During 2017 up to the previous quarter			
Items	Name	Amount	As a percentage to the yearly net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to the yearly net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage to the first quarter net purchases of the year (%)	Relationship with the issuer
1	FUJIFILM CORPORATION	1,730,529	15.89	N/A	FUJIFILM CORPORATION	1,634,947	16.11	N/A	Konica Minolta Inc	391,904	15.67	N/A
					Konica Minolta Inc	1,301,969	12.83	N/A	Kuraray Trading CO., LTD	336,510	13.45	N/A
					Kuraray Trading CO., LTD	1,127,495	11.11	N/A				
	Others	9,161,906	84.11	N/A	Others	6,082,773	59.95	N/A	Others	1,773,242	70.88	
	Net purchase	10,892,435	100	N/A	Net purchase	10,147,184	100	N/A	Net purchase	2,501,656	100	N/A

Note 1: A list of any suppliers accounting for 10 per cent or more of the Company's total procurement amount in either of the 2 most recent years, the amounts bought from each and the percentage of total procurement accounted for by each. Where the Company is prohibited by contract from revealing the name of a supplier, or where a trading counterpart is an individual person who is not a stakeholder, it may use a code in place of the actual name.

2. Main customers in the most recent two years

Unit: NT\$ thousand

Year	2017				2018				During 2017 up to the previous quarter			
Items	Name	Amount	As a percentage to the yearly net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to the yearly net sales (%)	Relationship with the issuer	Name	Amount	As a percentage to the first quarter net sales of the year (%)	Relationship with the issuer
1	Customer A	3,027,460	30.65	N/A	Customer A	3,078,406	24.11	N/A	Customer A	892,463	22.18	N/A
2	Customer B	1,950,448	19.75	N/A	Customer B	1,746,519	13.68	N/A	Customer B	842,829	20.94	N/A
3	Customer C	1,153,819	11.68	N/A	Customer C	1,117,780	8.76	N/A	Customer C	473,971	11.78	N/A
4	Customer D	2,388	0.02	N/A	Customer D	1,897,948	14.87	N/A	Customer D	221,692	5.51	N/A
	others	3,744,033	37.9	N/A	others	4,926,509	53.45	N/A	others	1,593,372	39.59	N/A
	Net sales	9,878,148	100	N/A	Net sales	12,767,162	100	N/A	Net sales	4,024,327	100	N/A

Note 1: The list of customers accounting for 10 per cent or more of the Company's total sales amount in either of the 2 most recent years, the amounts sold to each and the percentage of total sales accounted for by each shall be clearly presented. But if the Company is prohibited by contract from revealing the name of the customer, or if the trading

counterpart is an individual person but not a stakeholder, a code may be used in place of the actual name.

(5) The production volume for the most recent two years:

Unit: Thousand meters; NT\$ thousand

Production volume/value	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products	26,381	14,648	9,364,610	34,639	26,165	9,872,307
Polarizer		3,733	1,147,087		4,379	885,267
Polarizer coil materials	N/A	N/A	N/A	N/A	N/A	N/A
others	N/A	N/A	N/A	N/A	N/A	N/A
Total	26,381	18,381	10,511,697	34,639	30,544	10,757,574

Note: The production capacity refers to the quantity produced under normal operation of the existing production equipment, after the Company measures such factors as shutdown and holidays, *et al.*

(6) The sales volume in the most recent two years:

Unit: Thousand pieces (meters); NT\$ thousand

Sales volume	2017				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products	45,070	2,783,010	169,030	6,283,611	45,451	2,346,136	172,038	8,147,158
Polarizer	2,881	526,982	570	185,957	2,926	697,842	5,088	1,213,473
Polarizer coil materials	16	3,768	5,984	1,657,444	74	2,272	11,737	360,281
others	47,967	3,313,760	175,584	8,127,012	48,451	3,046,250	188,863	9,720,912
Total								

Note: The polarizer is counted per thousand pieces. The polarizer coil materials are measured per thousand meters.

3. Employees:

Unit: person; %

Year		2016	2017	2019 Until March 31
Number of employees	Direct employees	798	818	821
	Indirect employees	353	353	360
	Total	1,150	1171	1181
Average age (years)		35.17	35.4	35.65
Average years of service (years)		6.57	6.51	6.76
Academic background (%)	Master/Doctor	9.83%	9.48%	9.75%
	College	63.30%	59.01%	58.93%
	High school (high vocational school)	26.87%	31.43%	31.24%
	High school and below	0.00%	0.08%	0.08%

4. Information about environmental protection expenditure:

1. According to the laws and regulations, if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:

(1) The Company's environmental protection permit/license No.:

Name of public or private premises: Chimei Materials Technology Corp. Control No.: R90A0401 Address: No. 13, Mushangang West Road, Nangan Neighborhood, Shanhua District, Tainan City
Stationary pollution source operating permit 1. Optical component (polarizer) manufacturing procedure (M01) Nan-Xian-Fu-Huan-She-Zhen-Zi No. D0051-03 dated May 5, 2018 2. Boiler steam generation procedure (M02) Nan-Xian-Fu-Huan-She-Zhen-Zi No. D0537-02 dated September 5, 2018 3. Optical component (polarizer) manufacturing procedure (M03) Nan-Xian-Fu-Huan-She-Zhen-Zi No. D0930-02 dated October 5, 2018
Water pollution prevention permit Nan-Shi-Fu-Huan-Shui-Zhen-Zi No. 01264-12 dated February 13, 2018
Industrial waste disposal plan Tainan City Government Fu-Huan-Shi-Zi No. 1070960703 dated August 31, 2018 Disposal plan approval letter No.: R09512080001
Toxic chemical substances permit 1. The 4th type toxic chemical substances permit of Tainan City: 079-21-J0078 September 26, 2018 2. The 4th type toxic chemical substances permit of Tainan City: 107-21-O0003 September 26, 2018 3. The 4th type toxic chemical substances permit of Tainan City: 117-21-O0003 September 26, 2018 4. The 4th type toxic chemical substances permit of Tainan City: 164-21-O0001 September 26, 2018

(2) Status of the Company's payment for air pollution prevention fees

Unit: NTS

Year	Air pollution fee
2016	140,161
2017	152,160
2018	150,877

(3) Status of the Company's payment for fees of use of sewage treatment system

Unit: NTS

Year	Fees of use of sewage treatment system
2016	20,235,827
2017	18,404,442
2018	18,976,303

(4) Status of organization of the Company's exclusively responsible unit/office for environmental issues

1. Dedicated Air Pollution Control Specialist (Class A): Meng-Zong Liu (95) Huan-Shu-Xun-Zhen-Zi No. FA070160
2. Dedicated Wastewater and Sewage Treatment Specialist (Class A): Meng-Zong Liu (90) Huan-Shu-Xun-Zhen-Zi No. GA160143 Lian Jie Su (102) Huan-Shu-Xun-Zhen-Zi No. GA470999 Dedicated Wastewater and Sewage Treatment Specialist (Class B): Zhi-Hao Wang (96) Huan-Shu-Xun-Zhen-Zi No. GB100871
3. Waste Disposal Technician (Class A): Jing-Ru Hong (103) Huan-Shu-Xun-Zhen-Zi No. HA050590

(5) Emission volume of CO2 or other greenhouse gasses in the most recent two years: (2018)

※Effect or impact of enterprises on greenhouse gas emission:

(1) Enterprise's risk over climate change-related laws and regulations:
According to the Green House Gas (GHG) Management Act and Regulations Governing Report of GHG Emission Volume from Stationery Pollution Sources at Public and Private Premises, the Company has not yet met the circumstance about its yearly emission volume of greenhouse gases generated from fossil fuel's burning totaling 25,000 tons at the second group of public and private premises and, therefore, it is not necessary for the Company to submit such report. Notwithstanding, per customers' requirement, the Company has proceeded with the greenhouse gas inspection since 2010 and appointed a third notarization entity to verify the emission volume.
(1) Enterprise's substantial risk over climate changes:
1. Water resource supply and changes in quality 2. High temperature heat run likely to render some impact. 3. Increase in such natural calamities as rising sea level, heavy rain, typhoon and flood. 4. Increase in frequency and strength of extreme climate incidents. 5. Indirect impact to industrial development through the impact to interested parties of the industry.
(3) Opportunities provided by climate changes to enterprises:
1. The utilization of resources in the process reduces water resource consumption and increase recycling rate. 2. Design new standard durable infrastructure and upgrade efficiency through new standard designed air conditioner or existing equipment. 3. Inspect the existing system and replace or upgrade the same and establish the responsive plan against accidents and natural calamities. 4. Set the product life cycle and market development, build brand awareness and product characteristics, and increase balance between work and flexibility of life.
(4) GHG emission volume of enterprises (direct/indirect) (to specify the scope and time of inspection), and external certification, if any:
Standards of inspection: Green House Gas (GHG) Reduction and Management Act (excluding the relevant regulations of Taiwan's National GHG Registry), Greenhouse Gas Verification Guideline (excluding the relevant regulations of Taiwan's National GHG Registry), CNS 14064-1 GHG, Part 1: Specifications with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. Scope of inspection: Chimei Materials Technology Corp., No. 13, Muzhagang W. Rd., Nangan Neighborhood, Shanhua Dist., Tainan City, owning and running the first LCD polarizer (film) plant. The inspection covers only one plant facility. Term of inspection: January 1, 2016 to December 31, 2016 Verified data: Adoption of the GWP total emissions published by the 4th evaluation report (AR4) of IPCC in 2007, totaled 52,378.278 tons of CO2, and including -Direct GHG emission (Scope 1) volume: 18,617.0792 tons of CO2 -Direct GHG emission (Scope 2) volume: 33,761.1989 tons of CO2 (The GHG emission volume of the electricity procured outside is calculated based on Taiwan Power Company's 2018 emission coefficient of 0.529kg CO2-e/kWh published by the Bureau of Energy, Ministry of Economic Affairs on June 28, 2017.) The inspection by external inspection unit has been completed, and the related information is as following: Statement number: 00103-2017-AG-TWN-TAF

Inspection organization: DNV GL
Date of inspection: August 28, 2018 to October 01, 2018
Inspection Statement Date: October 17, 2018

※Enterprise's strategies, methods and objectives about GHG management:

(1) Enterprise's strategies in responding to climate changes or GHG management: 1. Internal: Establish the Company's adjustment strategies, quantify data or describe related risks and opportunities. 2. Interaction of industry and market: Disclose information properly, create helpful instruments and empirical analysis with the industry, provide technical support to customers and suppliers, or work with them to develop products and services which meet the purchasers' need.
(2) Objective of reduction in the enterprise's GHG emission volume: For the time being, the GHG emission of the Company has not yet met the statutory limit. Therefore, the Company has not set specific objective of reduction. However, the plant has taken measures to save energy and water during the routine operation, and applied frequency converters on the high-power-consumption equipment to enhance efficiency.
(3) Budget and plan for reduction in enterprise's GHG emission volume: No definite budget and implementation plan is available.
(4) Carbon-reduction effect produced by the enterprise's product or service for customers or consumers: Not yet received any customer's or consumer's feedback about carbon reduction.

2. Setting forth the Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced.

December 31, 2017; Unit: NT\$ thousand

Name of equipment	Quantity	Date of acquisition	Investment cost	Undiscounted balance	Purpose and possible effects
Waste water pre-processing equipment	1 unit	October 2006	25,709	0	Processing of waste water generated by FAB1 office and process of polarizer
Waste water pre-processing equipment	1 unit	February 2010	46,307	6,873	Processing of waste water generated by FAB2 office and process of polarize
Washing tower	5 units	October 2006	346,465	0	Processing of acid-base waste gas generated by FAB1's process of polarizer
Thermal regenerative flaring	1 unit	March 2007	21,539	0	Processing of VOCs waste gas generated by FAB1's process of polarizer
Washing tower	5 units	February 2010	76,510	4,719	Processing of acid-base waste gas generated by FAB2's process of polarizer
Thermal regenerative flaring	1 unit	June 2010	25,465	0	Processing of VOCs waste gas generated by FAB2's process of polarizer
Pulsed dust collector	2 units	December 2006 February 2008	3,150	0	Processing of particulate pollutants generated by edge finishing of polarize
Concentration system of potassium iodide solution	1 unit	May 2007	22,564	0	Concentration of potassium iodide solution generated by FAB1's process of polarizer to reduce waste water
Concentration system of potassium iodide solution	1 unit	April 2010	16,460	2,491	Concentration of potassium iodide solution generated by FAB2's process of polarizer to reduce waste water
Thermal regenerative flaring	1 unit	September 2013	26,176	13,827	Processing of VOCs waste gas generated by FAB2's process of polarizer
Concentration system of potassium iodide solution	1 unit	December 2013	45,533	25,774	Concentration of potassium iodide solution generated by FAB1's and FAB2's process of polarizer to reduce waste water

Name of equipment	Quantity	Date of acquisition	Investment cost	Undiscounted balance	Purpose and possible effects
45CMH boron removal waste water system and equipment	1 unit	December 2014	40,408	27,291	Improvement of the plant's waste water emission, including processing of boron removal waste water
30CM boron removal waste water system and equipment	1 unit	December 2014	29,473	19,796	Improvement of the plant's waste water emission, including processing of boron removal waste water

Total of loss (including indemnity) and penalty as a result of environment pollution in the most recent year and until the date of publication of the annual report: None.

5. Labor relations:

(1) Present the availability and execution of employee welfare, continue education, training and retirement policies, the agreements between employers and employees, and protection measures of employees' rights:

1. Employee welfare, employees' continuing education and training

(1). Employee welfare

The Company has always regards "respecting humanity and caring for employees" as one management philosophy. In order to take care of colleagues and their family members physically and mentally, and to establish various life protection measures to help the colleagues rest assured when working hard for the Company, the Company provides various welfare plans. Meanwhile, the Company's colleagues have formed the Welfare Commission responsible for planning and boosting employee welfare. The implementation status of employee welfare activities is stated as follows: "providing related campaigns under the Commission's budget, subsidies for traveling and holding health talks."

(2). Employees' continuing education and training:

Considering that educational training plays a role specialized in enabling enterprises to reach consensus, the Company boosts systematic training in the following manner each year to enable colleagues to share the training resources completely.

(3). Complete orientation training

The Company will perform training on all new employees for two days, in order to enable them to know more about the environment and working requirements in the Plant through the course series. For the administrative and engineering staff, the Company also provides additional training about production process and operation, in hopes of enabling colleagues to know better about the production, process, product and service.

(4). Promotion of internal trainer training plan

The "internal trainer" is the best spokesperson for an enterprise to communicate knowledge. Therefore, the Company will boost the professional internal trainer training plan step by step to reflect the internal professionals' knowledge systematically, which can help the Company accumulate professional human resources rapidly.

(5). Execution of various full-time jobs' systematic training

Each full-time staff shall receive trainings according to the relevant certification system, and provide the relevant personnel with training course series by topic and function to be in line with the training topic each year. In addition to the full-time staff, the management also initiate training for various management levels according to the requirements of their positions.

(6). Strive for more training resources through various subsidies.

① In order to enable colleagues to enjoy more plentiful training resources, the Company has also provided diversified training programs accompanied with the plans implemented by the government.

② Retirement system and implementation status: The Company complies with the Labor Laws and Labor Pension Act, and implements the retirement system fairly.

- ③ Labor and management settlement: The Company values employees' opinion and convenes the labor-management meeting periodically.
- ④ Status of measures implemented to protect employees' interest and right: The Company values employees' opinion, encourages colleagues to communicate with related staff in a public and transparent manner if they have any opinions and demand that the supervisors and related departments should respond to the employees soon, to fulfill the purpose of two-way communications.

(2) Clearly state the actual or estimated losses arising from the employment disputes in the recent year up to the publication date of this annual report, and any responsive measures to be taken:

1. So far, the Company has not been involved in any labor dispute. The Company maintains cordial and harmonious relationship with its employees. No dispute arises between the Company and employees, nor loss from the labor dispute is caused.
2. Current and possible measures:
 - ✓ Comply with labor laws and strengthen welfare measures.
 - ✓ Establish an open and honest communication and complaining channel between the Company and its employees.
 - ✓ Establish the operation management system involved by all employees.
3. Estimated loss amount currently and in the future: The Company has always stuck to its management policy of harmonious and faithful. The labor relations tend to be harmonious and no loss is expected to arise if there are no other external influence factors.

6. Important contracts:

Nature	Parties	Term	Main contents	Restrictive clauses	Remarks
Technology License Agreement	The Company and Chimei Materials Investment Co., Ltd. (Kunshan)	Both parties signed the "Technology License Agreement and Supplemental Agreement" on March 17, 2017. The Agreement is effective from December 1, 2016 retroactively and until December 1, 2022.	Polarizer Technology License	Not applicable	Note 1
Technology License Agreement	Chimei Materials Technology Corp. (Kunshan) and Nitto Denko Corporation	prepared to sign the "Technology Cooperative Agreement for Polarizers" with Nitto Denko Corporation on November 2, 2017.	Polarizer Technology License	Not applicable	Note 2

Note 1: The Agreement refers to the "Polarizer Technology License Agreement signed with Chimei Materials Technology Corp. (Kunshan)" passed by the Audit Committee and Board of Directors on March 10, 2015. Then, both parties signed the "Technology License Agreement and Addendum" on March 17, 2017 to be in line with the plant construction progress of Chimei Materials Technology Corp. (Kunshan) and the planning of mass production timeframe. The Agreement is effective from December 1, 2016 retroactively and until December 1, 2022.

Note 2: The Agreement refers to the "Polarizer Technology License Agreement signed between the Company's important subsidiary, Chimei Materials Technology Corp. (Kunshan), and Nitto Denko Corporation" passed by the Audit Committee and Board of Directors on November 2, 2017. It can help the Company introduce the most advanced production technology in the world, enhance the production capacity utilization rate per unit with the grinding utilization of large-size LCD, further increase the Company's competitiveness, and expand to China's LCD market together to maximize shareholders' interests.

7. Other important notes: None.

VI. Overview of Finance

1. Condensed Balance Sheets for the most recent five years

(1) Information about condensed balance sheets and comprehensive income statements

1. Condensed balance sheets:

Unit: NT\$ thousand

Items	Year	Financial information for the most recent five years (Note 1)					Year-to-date March 31, 2019 Financial information (Note 2)
		2014	2015	2016	2017	2018	
Current asset		10,931,978	9,896,678	10,476,597	11,697,051	13,498,543	12,758,096
Property, plant, and equipment		6,665,963	6,843,989	9,639,819	11,169,695	10,693,045	13,674,951
Intangible assets		58,354	55,704	58,608	95,632	91,846	80,520
Other assets		310,326	908,122	427,768	496,213	2,950,483	1,804,354
Total assets		17,966,621	17,704,493	20,602,792	23,458,591	27,233,917	28,317,921
Current liabilities	Before distribution	4,758,135	4,629,600	7,520,416	10,177,149	12,629,552	12,129,479
	After distribution	6,047,456	4,887,464	7,520,416	Note 3	Note 3	Note 3
Non-current liabilities		67,515	141,740	82,844	171	419,596	210,396
Total liabilities	Before distribution	4,825,650	4,771,340	7,603,260	10,177,320	13,049,148	12,392,350
	After distribution	6,114,971	5,029,204	7,603,260	Note 3	Note 3	Note 3
Equity attributable to owners of parent company		13,060,830	12,711,212	10,712,234	11,345,730	10,484,256	10,452,758
Share capital		5,157,285	5,157,285	5,157,285	6,657,285	6,657,285	6,657,285
Capital surplus		405,273	400,487	453,761	856,768	851,689	851,689
Retained earnings	Before distribution	7,325,203	7,045,946	5,304,161	4,077,901	3,422,821	3,284,795
	After distribution	6,035,882	6,788,082	5,304,161	Note 3	Note 3	Note 3
Other equity		173,069	107,494	(202,973)	(246,224)	(447,530)	(341,011)
Treasury shares			-	-	-	-	-
Non-controlling interest		80,141	221,941	2,287,298	1,935,541	3,700,504	3,867,977
Total of equity	Before distribution	13,140,971	12,933,153	12,999,532	13,281,271	14,184,769	14,320,735
	After distribution	11,851,650	12,675,289	12,999,532	Note 3	Note 3	Note 3

*If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five years separately.

*If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).

Note 1: The financial information for the most recent five years has been audited.

Note 2: The financial information has been audited.

Note 3: Pending resolution by the shareholders' meeting

2. Condensed comprehensive income statement:

Unit: NT\$ thousand

Year \ Items	Financial information for the most recent five years (Note 1)					Year-to-date March 31, 2018 Financial information (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	15,818,286	12,747,295	10,374,172	11,440,772	12,767,162	4,024,327
Gross profit	3,898,324	1,789,007	(796,755)	(749,112)	561,954	83,653
Net operating income	2,179,655	1,082,610	(1,606,238)	(1,671,123)	(606,868)	(112,429)
Non-operating income and expense	493,198	283,976	62,767	(11,794)	(465,992)	79,486
Net income before tax	2,672,853	1,366,586	(1,543,471)	(1,682,917)	(1,072,860)	(32,943)
Net income of continuing operation units	2,239,633	1,047,159	(1,483,862)	(1,550,026)	(1,048,146)	(59,459)
Net loss from discounting operations	-	-				-
Net income (loss)	2,239,633	1,047,159	(1,483,862)	(1,550,026)	(1,048,146)	(59,459)
Other comprehensive income (loss) (net of tax)	133,302	(72,138)	(426,470)	(72,660)	(265,446)	195,425
Net income	2,372,935	975,021	(1,910,332)	(1,622,686)	(1,313,592)	135,966
Net income attributed to owners of parent company	2,248,561	1,048,795	(1,483,921)	(1,226,260)	(655,080)	(138,076)
Net income attributed to non-controlling equity	(8,928)	(1,636)	59	(323,766)	(393,066)	78,617
Total comprehensive income attributed to owners of parent	2,381,701	983,220	(1,794,388)	(1,269,892)	(856,386)	(31,507)
Total comprehensive income attributed to non-controlling equity	(8,766)	(8,199)	(115,944)	(352,794)	(457,206)	167,473
Earnings per share	4.36	2.03	(2.88)	(2.18)	(0.98)	(0.21)

*If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five years separately.

*If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).

Note 1: The financial information for the most recent five years has been audited.

Note 2: The financial information has been audited.

5. Individual Condensed Balance Sheets

Unit: NT\$ 1,000

Items	Year	Financial information for the most recent five years (Note 1)				
		2014	2015	2016	2017	2018
Current asset		7,663,132	7,406,856	7,863,009	7,602,818	5,468,026
Funds and investments		3,852,538	4,147,294	3,337,830	2,777,071	5,600,735
Fixed assets		5,816,617	5,307,162	4,945,581	4,565,782	4,136,296
Intangible assets		15,440	17,490	22,077	84,515	13,735
Other assets		82,731	176,404	46,495	49,423	209,242
Total assets		17,430,458	17,055,206	16,214,992	15,079,609	15,616,701
Current liabilities	Before distribution	4,302,113	4,202,254	5,419,914	3,733,804	4,909,717
	After distribution	5,591,434	4,460,118	5,419,914	Note 2	Note 2
Long-term liabilities		-	-	-	-	200,000
Other liabilities		67,515	141,740	82,844	75	22,719
Total liabilities	Before distribution	4,369,628	4,343,994	5,502,758	3,733,879	5,132,436
	After distribution	5,658,949	4,601,858	5,502,758	Note 2	Note2
Share capital		5,157,285	5,157,285	5,157,285	6,657,285	6,657,285
Capital surplus		405,273	400,487	453,761	856,768	851,689
Retained earnings	Before distribution	7,325,203	7,045,946	5,304,161	4,077,901	3,422,821
	After distribution	6,035,882	6,788,082	5,304,161	Note 2	Note2
Other equity		173,069	107,494	(202,973)	(246,224)	(447,530)
Total of equity	Before distribution	13,060,830	12,711,212	10,712,234	11,345,730	10,484,265
	After distribution	11,771,509	12,453,348	10,712,234	Note 2	Note2

*If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five years separately.

*If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).

Note 1: The financial information for the most recent five years has been audited.

Note 2: Pending resolution by the shareholders' meeting

6. Condensed comprehensive income statement:

Unit: NT\$ 1,000

Year \ Items	Financial information for the most recent five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	14,815,633	11,586,357	9,642,524	8,297,621	8,242,816
Gross profit	2,437,863	1,313,146	(421,072)	(258,223)	205,451
Net operating income	2,045,638	883,556	(928,672)	(808,467)	(254,786)
Non-operating income and expense	560,915	437,211	(617,118)	(554,132)	(400,294)
Net income before tax	2,606,553	1,320,767	(1,545,790)	(1,362,599)	(655,080)
Net income of continuing operation units	2,248,561	1,048,795	(1,483,921)	(1,226,260)	(655,080)
Net loss from discounting operations	-	-	-	-	
Net income (loss)	2,248,561	1,048,795	(1,483,921)	(1,226,260)	(655,080)
Other comprehensive income (loss) (net of tax)	133,140	(65,575)	(310,467)	(43,632)	(201,306)
Net income	2,381,701	983,220	(1,794,388)	(1,269,892)	(856,386)
Earnings per share	4.36	2.03	(2.88)	(2.18)	(0.98)

*If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five years separately.

*If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).

Note 1: The financial information for the most recent five years has been audited.

(2) Names of the independent auditors and their audited opinions in the most recent five years:

1. Names of the independent auditors and audited opinions for the most recent five years

Year	Accounting Firm	Independent auditor	Audit opinion
2014	Deloitte & Touche	Su-Li Fan and Shu-Jie Huang	Unqualified opinions
2015	Deloitte & Touche	Ming-Hui Chen, Shu-Jie Huang	Unqualified opinions
2016	Deloitte & Touche	Ming-Hui Chen, Shu-Jie Huang	Unqualified opinions
2017	Deloitte & Touche	Ming-Hui Chen, Shu-Jie Huang	Unqualified opinions
2018	PWC	I-Chung Lin, Zhi-Meng Liu	Reserved opinion & significant uncertainty

2. If there was change/replacement of the independent auditor within the most recent five years, explanation made by the Company's former and current independent auditors over the causes for such change/replacement shall be set forth.

Year	Former independent auditor	Current independent auditor	Reason for replacement
2015	Su-Li Fan, Shu-Jie Huang	Hong-Peng Lin, Shu-Jie Huang	As a result of the internal routine transfer of independent auditors in Deloitte & Touche.
	Hong-Peng Lin, Shu-Jie Huang	Ming-Hui Chen, Shu-Jie Huang	As a result of the internal routine transfer of independent auditors in Deloitte & Touche.
2018	Ming-Hui Chen, Shu-Jie Huang	I-Chung Lin, Zhi-Meng Liu	For the company's long term strategy

3. If the financial statements for the most recent five years since the public offering were audited by the same independent auditor, the Company should specify the reason for never changing the independent auditor and specific responsive measures for strengthening the independence of CPA : not applicable.

2. Financial analysis for the most recent five years:

1. Financial analysis:

Unit: NT\$ 1,000

Year (Note 1) Analysis items (Note 3)		Financial information for the most recent five years					In the current year up to March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debt ratio	26.86%	26.95%	36.9%	43.38%	47.92%	
	Long term fund to property, plant and equipment ratio	197.14%	188.97%	134.85%	118.90%	136.37%	
Liquidity analysis	Current ratio	229.75%	213.77%	139.31%	114.93%	106.88%	49.43%
	Quick ratio	184.11%	166.72%	101.15%	83.48%	73.72%	117.93%
	Interest coverage	5,285.17%	5,673.58%	-10,443.55%	-1226.94%	-269.21%	105.18%
Operating Performance Analysis	Account receivable turnover (times)	3.52	3.15	3.19	3.50	3.13	81.37%
	Average collection turnover	103.73	116.01	114.41	104.28	116.595	60.54%
	Inventory turnover (times)	3.78	3.13	3.27	3.37	2.80	3.41
	Account payable turnover (times)	7.45	6.25	6.04	6.14	4.89	106.914
	Average inventory turnover days	96.61	116.77	111.72	108.30	130.46	0.83
	Fixed assets turnover (times)	2.30	1.89	1.26	1.10	117	1.46
	Total assets turnover(times)	0.94	0.71	0.54	0.52	0.50	438.45
Profitability Analysis	Return on total assets (%)	13.5%	5.99%	-7.68%	-6.56%	-3.22%	0.03%
	Return on equity (%)	18.54%	8.03%	-11.44%	-11.80%	-7.63%	-0.42%
	net income before tax to paid-up capital ratio (%) (Note 7)	51.83%	26.50%	-29.93%	-25.28%	-16.12%	-0.49%
	Net margin (%)	14.16%	8.21%	-14.30%	-13.55%	-8.21%	-1.48%
	Earnings per share (dollar)	4.36	2.03	-2.88	-2.18	-0.98	-0.21
Cash flow	Cash flow ratio (%)	62.07%	68.68%	-13.68%	-16.61%	-8.55%	-7.99%
	Cash flow adequacy ratio (%)	157.87%	151.80%	126.80%	73.01%	15.66%	-9.94%
	Cash reinvestment ratio (%)	14.4%	8.99%	-5.89%	-7.38%	-4.29%	-3.62%
Leverage	Operating leverage	1.89	2.94	-0.21	-0.07	-1.94	-3.00
	Financial leverage	1.02	1.02	0.99	0.93	0.68	0.57

* If the Company has prepared individual financial statements, it shall also prepare the individual financial ratio analysis separately.

* If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).

Note 1: The financial information for the most recent five years has been audited.

Note 2: The company which has been listed or traded securities at TWSE shall also include the financial information audited by an independent auditor until the latest quarter prior to the date of publication of the annual report into the analysis.

Note 3: The following calculation formulas must be listed at the end of the foregoing table:

1. Financial Structure analysis
 - (1) Debt ratio = Total Liabilities / Total Assets
 - (2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
 2. Liquidity analysis
 - (1) Current ratio = Current assets / Current liability
 - (2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
 - (3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense
 3. Operating performance analysis
 - (1) Average collection turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
 - (2) Days to collect accounts receivable = 365 / Average collection turnover
 - (3) Average inventory turnover = Cost of goods sold / Average inventories
 - (4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
 - (5) Average days to sell inventory = 365 / Average inventory turnover
 - (6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net
 - (7) Total assets turnover = Sales / Average total assets
 4. Return on investment analysis
 - (1) Rate of return on assets = [Profit + Interest expense X (1 - Tax rate)] / Average assets
 - (2) Rate of return on equity = Profit / Average total Equity
 - (3) Profit to sales = Profit / Sales
 - (4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares (Note 4)
 5. Cash flow
 - (1) Cash flow ratio = Net cash provided by operating activities / Current liability
 - (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
 - (3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital) (Note 5)
 6. Leverage
 - (1) Operating Leverage = (Net operating revenue - Variable cost and expense) / Operating income (Note 6)
 - (2) Financial leverage = Operating income / (Operating income - Interest expenses)
- Note 4: Please note the following when measuring based on said calculation of EPS:
1. Based on the number of weighted average common shares, instead of the number of shares already issued at the end of year.
 2. In the event of cash capital increase or exchange of treasury stock, please take the outstanding period into consideration when calculating the weighted average outstanding shares.
 3. In the event of recapitalization of earnings or capital surplus, the calculation of annual and semi-annual EPS in the past shall be adjusted retroactively subject to the capital increase ratio, without taking the issuance period for the capital increase into consideration.
 4. If the preferred stock refers to non-convertible accumulated preferred stock, the current stock dividend (whether allocated or not) shall be deducted from the net income after tax, or the net loss after tax should be increased. If the preferred stock refers to non-accumulated preferred stock, the preferred stock dividend shall be deducted from the net income after tax, if any, provided that if the Company suffers loss, it is not necessary to make the adjustment.
- Note 5: Please note the following when measuring under cash flow analysis:
1. The net cash flow from operating activities means the net cash inflow from operating activities in the statement of cash flow.
 2. The capital expenditure means the cash outflow from the capital investment each year.
 3. The increase in inventory will be included only when the balance at ending is more than the balance at beginning. If the inventory decreases at the end of year, it should be calculated as 0.
 4. The cash dividends includes the cash dividend on common stock and preferred stock.
 5. The gross of property, plant and equipment means the total property, plant and equipment before deduction of accumulated depreciation.
- Note 6: The issuer shall categorize various operating costs and expenses into fixed and floating ones by nature. If any estimation or subjective judgment is involved, please note the reasonableness and consistency thereof.
- Note 7: If the Company's stock is a no-par-value stock or stock with par value other than NT\$10, the paid-in capital ratio mentioned above shall be calculated based on the percentage of the equity attributed to owners of parent company in the balance sheet.

3. Individual financial ratio analysis:

Unit: NT\$ 1,000

Analysis items (Note 2)		Financial information for the most recent five years				
		2014	2015	2016	2017	2018
Financial Structure (%)	Debt ratio	25.07%	25.47%	33.94%	24.76%	32.87%
	Long term fund to property, plant and equipment ratio	224.54%	239.51%	216.6%	248.49%	258.31%
Liquidity analysis	Current ratio	178.12%	176.26%	145.08%	203.62%	111.37%
	Quick ratio	139.60%	137.55%	115.3%	161.81%	63.18%
	Interest coverage	9,067.09%	9,739.23%	-19,109.52%	-7,649.53%	-2610.19%
Operating Performance Analysis	Account receivable turnover (times)	2.80	2.28	2.05	2.97	3.15
	Average collection turnover	130.44	160.41	177.71	123.06	115.72
	Inventory turnover (times)	5.38	4.38	4.29	3.60	3.11
	Account payable turnover (times)	7.16	5.93	5.48	4.50	4.29
	Average inventory turnover days	67.82	83.37	85.18	101.48	117.49
	Fixed assets turnover (times)	2.43	2.08	1.88	1.74	1.89
	Total assets turnover(times)	0.90	0.67	0.58	0.53	0.54
Profitability Analysis	Return on total assets (%)	13.81%	6.15%	-8.88%	-7.74%	-4.14%
	Return on equity (%)	18.75%	8.14%	-12.67%	-11.12%	-6.00%
	net income before tax to paid-up capital ratio (%) (Note 7)	50.54%	25.61%	-29.97%	-20.47%	-9.84%
	Net margin (%)	15.18%	9.05%	-15.39%	-14.78%	-7.95%
	Earnings per share (dollar)	4.36	2.03	-2.88	-2.18	-0.98
Cash flow	Cash flow ratio (%)	62.82%	48.87%	-6.19%	43.07%	-11.05
	Cash flow adequacy ratio (%)	122.03%	125.18%	163.22%	174.5%	139.98%
	Cash reinvestment ratio (%)	13.53%	3.8%	-1.8%	8.18%	-2.79%
Leverage	Operating leverage	1.78	2.98	-0.7	-0.61	-2.23
	Financial leverage	1.01	1.01	0.99	0.98	0.91

* If the Company has prepared individual financial statements, it shall also prepare the individual financial ratio analysis separately.

*If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on R.O.C. Financial Accounting Standards as shown in the following Table (2).

Note 1: The financial information for the most recent five years has been audited.

Note 2: The following calculation formulas must be listed at the end of the foregoing table:

1. Financial Structure analysis

(1) Debt ratio= Total Liabilities / Total Assets

(2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net

2. Liquidity analysis

(1) Current ratio = Current assets / Current liability

(2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability

(3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense

3. Operating performance analysis

(1) Average collection turnover(Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables

(2) Days to collect accounts receivable = 365 / Average collection turnover

(3) Average inventory turnover = Cost of goods sold / Average inventories

(4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables

(5) Average days to sell inventory = 365 / Average inventory turnover

(6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net

- (7) Total assets turnover = Sales / Average total assets
4. Return on investment analysis
- (1) Rate of return on assets = [Profit + Interest expense X (1 - Tax rate)] / Average assets
- (2) Rate of return on equity = Profit / Average total Equity
- (3) Profit to sales = Profit / Sales
- (4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares (Note 4)
5. Cash flow
- (1) Cash flow ratio = Net cash provided by operating activities / Current liability
- (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
- (3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital) (Note 5)
6. Leverage
- (1) Operating Leverage = (Net operating revenue – Variable cost and expense) / Operating income (Note 6)
- (2) Financial leverage = Operating income / (Operating income – Interest expenses)

Note 4: Please note the following when measuring based on said calculation of EPS:

1. Based on the number of weighted average common shares, instead of the number of shares already issued at the end of year.
2. In the event of cash capital increase or exchange of treasury stock, please take the outstanding period into consideration when calculating the weighted average outstanding shares.
3. In the event of recapitalization of earnings or capital surplus, the calculation of annual and semi-annual EPS in the past shall be adjusted retroactively subject to the capital increase ratio, without taking the issuance period for the capital increase into consideration.
4. If the preferred stock refers to non-convertible accumulated preferred stock, the current stock dividend (whether allocated or not) shall be deducted from the net income after tax, or the net loss after tax should be increased. If the preferred stock refers to non-accumulated preferred stock, the preferred stock dividends shall be deducted from the net income after tax, if any, provided that if the Company suffers loss, it is not necessary to make the adjustment.

Note 5: Please note the following when measuring under cash flow analysis:

1. The net cash flow from operating activities means the net cash inflow from operating activities in the statement of cash flow.
2. The capital expenditure means the cash outflow from the capital investment each year.
3. The increase in inventory will be included only when the balance at the end is more than the balance at beginning. If the inventory decreases at the end of year, it should be calculated as 0.
4. The cash dividends includes the cash dividend on common stock and preferred stock.
5. The gross of property, plant and equipment means the total property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer shall categorize various operating costs and expenses into fixed and floating ones by nature. If any estimation or subjective judgment is involved, please note the reasonableness and consistency thereof.

Note 7: If the Company's stock is a no-par-value stock or stock with par value other than NT\$10, the paid-in capital ratio mentioned above shall be calculated based on the percentage of the equity attributed to owners of parent company in the balance sheet.

3. Audit Committee's Review Report on the Latest Financial Statements:

CHENG MEI MATERIALS TECHNOLOGY CORP

Report of the Audit Committee.

The Audit Committee, after completing the audit of the financial statements, business reports and earnings distribution motions 2018 submitted by the Board of Directors, believes that they are free of material misstatement, and thus has produced this report according to Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

General Shareholders' Meeting of CHENG MEI Materials Technology Corp. 2019

The Convener of the Audit committee: Yen-Song Chen

May 13, 2019

4. The current annual financial statements, as well as independent auditor's report, comparative balance sheets for the most recent two years, comprehensive income statements, statements of changes in equity, cash flow statements and notes or schedules: Please refer to Appendix A (p.110~p.201).
5. Latest individual financial statements audited and certified by the independent auditor (exclusive of the statement of important accounting items):
Please refer to Appendix A (p.202~p.277).
6. Any financial difficulties encountered by the Company and its affiliates which might affect the financial conditions of the Company in the most recent year and up to the date of publication of the annual report: none.

VII. Discussion and Analysis of Financial Status and Financial Performance, and Risk Management

1. Comparative analysis of financial conditions

Unit: NTD thousand; %

Accounting title	2017		2018		Increase (decrease) change	
	Amount	% (Note 1)	Amount	% (Note 1)	Amount	% (Note 2)
Current asset	11,495,239	49	13,498,543	50	2,003,304	17
Long-term Investments	-	-	215,727	1	215,727	-
Fixed assets	11,169,695	48	10,693,045	39	(476,650)	(4)
Other assets	793,657	3	2,826,602	10	2,032,945	256
Total assets	23,458,591	100	27,233,917	100	3,775,326	16
Current liabilities	10,177,149	43	12,629,552	46	2,452,403	24
Long-term liabilities	-	-	202,996	1	202,996	-
Other liabilities	171	-	216,600	1	216,429	126,567
Total liabilities	10,177,320	43	13,049,148	48	2,871,828	28
Share capital	6,657,285	28	6,657,285	24	0	0
Capital surplus	856,768	4	851,689	3	(5,079)	(1)
Retained earnings	4,077,901	17	3,422,821	13	(655,080)	(16)
Other equity	(246,224)	(1)	(447,530)	(2)	(201,306)	(82)
Non-controlling interest	1,935,541	8	3,700,504	14	1,764,963	91
Total Shareholder's equity	13,281,271	57	14,184,769	52	903,498	7

Note 1: \$ means the same type of ratio under the given title in various related statements.

Note 2: % means the change ratio calculated based on 100% in the previous year.

Explanation of significant changes (if the magnitude of increase or decrease is more than 20% and the increase or decrease amounts to NTD\$10 million):

1. Other assets: Mainly due to the increase of deferred tax assets that continuously suffered losses for two years.
2. Current liabilities: Mainly due to the increase of bank loans for investment in Kunshan Plant's equipment.
3. Other liabilities: Due to the loss in 2017 and the decrease of deferred income tax liabilities.
4. Accumulated earnings: Due to the loss in 2017 and the decrease of retained earnings.
5. Other equity: Due to the devaluation of RMB in 2017 and the net asset exchange rate difference of the subsidiary in Mainland China.

2. Financial performance

※Financial performance analysis:

Unit: NTD thousand; %

Accounting title	2017		2018		Increase (decrease) change	
	Amount	% (Note 1)	Amount	% (Note 1)	Amount	% (Note 2)
Total operating revenues						
Less: Sales returns and discounts						
Net Revenues	9,878,148	100	12,767,162	100	2,889,014	29
Operating costs	10,627,260	108	12,205,208	96	1,577,948	15
Realized (unrealized) gross profits on Inter-affiliate accounts						
Realized gross profits	(749,112)	(8)	561,954	4	1,311,066	175
Operating expenses	922,011	9	1,168,822	9	246,811	27
Operating income	(1,671,123)	(17)	(606,868)	(5)	1,064,255	64
Non-operating income and expense	11,794	0	465,992	4	454,198	3851
Net income before tax for the current period	(1,682,917)	(17)	(1,072,860)	(8)	610,057	36
Gain from income tax (expense)	132,891	1	24,714	0	(108,177)	(81)
Net income	(1,550,026)	(16)	(1,048,146)	(8)	501,880	32

Note 1: \$ means the same type of ratio under the given title in various related statements.

Note 2: % means the change ratio calculated based on 100% in the previous year.

Analysis and explanation of increase or decrease (if the magnitude of increase or decrease is more than 20%):

1. Non-operating income and expense: The difference is primarily due to the increase of financial cost.
2. Income tax expense: Mainly due to the loss and the subsequent decrease of income tax expense.

※Potential effect of the sales quantity expected for the coming year and basis thereof to the Company's future financial business, and countermeasures thereof

The Company drafted the following response measures to deal with the potential effect on the Company's operation and future financial condition in 2018:

1. Continue expanding customer base in Mainland China: The Chinese government continues to regard the LCD industry as a key supporting industry. According to IHS data, as of the end of year 2017, Mainland China has 9 high-generation 8.5 (8.6) LCD plants, and has established another one generation 8.5 plant and one generation 10.5 plant of which the production capacity is gradually increasing. It is estimated that the production capacity will have exceeded that of Korea in 2018. Along with the new lines to be invested in the future, the number of high-generation plants will reach 19, making China the world's largest LCD supply area and accounting for over 50% of the World's production capacity. Productivity of the local polarizer plants in Mainland China, Shenzhen Sheng wave Optoelectronic Technology Co., Ltd. and SUNNYPOL OPTOELECTRONICE CO., LTD, still cannot afford to meet the demand for polarizers in Mainland China. The major gap in the demand still depends on the supply from the leading polarizer manufacturers in Japan and Korea. The Mainland Chinese government hopes that the LCD supply chain may be localized step by step. The joint venture invested by the Company and Hangzhou Jinjiang Group set up the front-end production line of Chimei Materials in Kunshan, which has entered into mass production, met the localized supply chain criteria, and may catch the trend of the high-speed growth of LCD in Mainland China.
2. Develop the existing major customers: The market share of polarizer supplied by the Company to the major customers for their TV products is still low. Therefore, there is still the room for the Company to develop the market. Besides, as the major customers will bring new production capacity in 2018 and the demand for polarizer is expected to increase, the Company is expected to grow continuously in Taiwan market.
3. Reduction in raw material cost: Chimei Materials in Kunshan is expected to enter into mass production in 2017Q2. Then, as the procurement quantity of raw materials and supplies increase accordingly, the Company's ability to procure and negotiate the price for the products may be enhanced. In addition to the Japanese suppliers, the Company will accelerate introducing raw materials sourced from the suppliers other than Japanese suppliers, and locally-made raw materials in order to help reduce the raw material cost.
4. Continue to upgrade production quality: Considering that the polarizer industry is gradually becoming mature, the standard product price competition is getting more and more intensive. In order to increase the added value of product, the Company will focus its layout on the high-end market in the future. Because of the higher technology threshold of the market, the market is almost monopolized by Japan-based manufacturers. The added value of the product is higher than that of the standard product. Following the Company's increasing penetration rate in the market, the profit to be earned by the product may be increased step by step.
5. The cooperation project with Nitto Denko Corporation: Subsidiary Chimei Materials Technology Corp. (Kunshan) cooperated with Nitto Denko Corporation, the World's leading polarizer firm, in 2018. Nitto Denko Corporation established the world's largest 2.5-meters-wide production line via technical authorization to accompany the high-generation production lines to be constructed in the future. Through the cooperation, it will be beneficial to Chimei Materials Technology Corp. (Kunshan) in continuously producing low-cost and high-quality products.

3. Analysis of cash flows:

Any cash flow changes during the most recent year, corrective measures to be taken in response to illiquidity, and liquidity analysis for the coming year

(1) Analysis of cash flow changes during the most recent fiscal year:

Unit: NT\$ thousand

Items	2017	2018	Amount of increase or decrease
Operating activities	-1,668,996	-1,079,300	589,696
Investing activities	-1,855,410	-4,972,929	-3,117,519
Financing activities	3,706,858	4,506,408	799,550
Total	182,452	-1,545,821	-1,728,273

Analysis of changes in cash flow:

1. Operating activities: Given the net loss before tax in 2018, the increase in account receivables, inventory, prepayment and other current assets resulted in the increase in net cash outflow from operating activities in 2018 compared with 2017.

2. Investing activities: NT\$ 100 million was invested in new installation and machines, in addition, NT\$ 2 billion was invested in the expansion of new manufacturing line

3. Financing activities: KSCMMT will increase its registered capital for USD 150 million in 2019 for paying the installation of the second manufacturing line

(2) Corrective measures to be taken in response to insufficient liquidity: N/A.

(3) Liquidity analysis for the coming year (2018)

Unit: NT\$ thousand

Cash - beginning Balance (1)	Expected net cash flow from operating activities for the year (2)	Expected cash outflow for the year (3)	Expected cash balance (1)+(2)-(3)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
3,105,426	-1,024,102	125,561	2,206,885	-2,021,645	2,147,206

Analysis of changes in cash flow in the coming year:

A. Operating activities: Currently, the price of polarizer is stable, but the price cutting pressure of normal products is large. Thus, the Company will focus more on existing customers and develop high-quality products. At the same time, it will also continue expanding to mid- and small-size preferred customers and move on to differentiation and thinner products. It will maintain good relationship with suppliers and strives for stable and lower-cost material supply. The equipment and production technology will also be improved.

B. Investing activities: The Company's expenditure include the routine replacement of spare parts of the equipment, maintenance of the equipment and purchase of machine & equipment, which totaled NT\$ 100 million. Meanwhile, Chengmei Materials in Kunshan needs about NT\$ 2 billion in plant expanding.

C. Financing activities: Chengmei Materials in Kunshan expects to issue shares by cash for USD 150 million, in order to support the funds needed in the second production line.

4. Effects of any major capital expenditures on financial operations during the most recent year:

(1) Utilization of major capital expenditures and source of funding:

1. The major capital expenditure in the most recent year (2019) (for procurement of machines and equipment, and routine maintenance of equipment and plant) totaled NT\$ 2.2 billion.

2. The important capital expenditure in 2019 is expected to be mainly the NT\$ 100 million of procurement and upgrading of equipment in Taiwan. The capital expenditure of Chimei Materials Technology Corp. (Kunshan) in expanding the second production line and technical authorization fees totaled about NT\$ 2.1 billion, with the main funding source being self-owned fund, share issuance and bank loans.

(2) Expected benefits:

1. Long-term: Currently, the Company continues to improve its production process and enter into mass production with the input of new technology and new materials. Besides, through the construction of the 2.5M production line of Chimei Materials Technology Corp. (Kunshan) and

the difficulty-removed existing lines, the Company continues to increase its production volume, so as to follow the trend of highly-growing polarizer needs in China.

2. Short-term: For the time being, the Company is affected by the economic fluctuation of the LCD industry and continuous price decline of the polarizer. The Company continues to improve the production process and deals with R&D of Polarizer for the high-resolution LCD, onboard LCD and smart mobile devices, introduces new technologies and new materials to increase the differentiation of products and reduce production cost. It is expected that development and planning mentioned above can of great benefits to the Company's operating revenue and market share.
3. Profitability: So far, as the price of final-end LCD products continued to decline, the polarizer price has not started to bounce back. In addition, as affected by the appreciation of New Taiwan Dollar and Japanese Yen, and the plant expanding expense and production have not reached economic scales in Chimei Materials Technology Corp. (Kunshan), the Company still suffered losses in 2018. Although the market is still competitive in 2019, Chimei Materials Technology Corp. still continues to move on according to its existing layout, developing at a fast pace under the trend of the highly-growing needs in China.

5. Reinvestment policy for the most recent year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

(1) Investment plans for the coming year:

The Company's investment plans are subject to the need for development of the principal businesses and in line with the customers' global supply chain layout and long-term strategic investments, instead of short-term financial investments.

(2) Main causes of profits or losses incurred on investments in the most recent year (2018):

December 31, 2018; Unit: NT\$ thousand

Investees	Shareholding ratio	Recognized Investment income	Profits or losses Main causes of	Corrective action plan
Chengmei Materials Technology Corp.(Samoa)	100%	(51,902)	Recognized loss from investment in Chimei Materials (Ningbo) .	N/A
CMVTCorp.	68.33%	(24,496)	The progress of product directing LCD firms lagged behind, and the technology of high-resolution product is not mature.	The yield rate of rollers increased, attracting customer orders.
Chimei Materials Technology Corp. (Ningbo)	100%	(51,702)	The sales volume and selling price declined in 2017, resulting in the loss.	Introduce new materials to cut the cost price and keep improving the product quality to upgrade earnings.
Chimei Materials Investment Co., Ltd.	100%	(378,851)	Recognized investment loss from Chimei Materials Technology Corp. (Kunshan).	N/A
Chimei Materials Investment Co., Ltd. (Kunshan) (Note 1)	49.5%	(38,817)	Increase operating items	N/A
Investees	Shareholding ratio	Recognized Investment income	Main causes of profits or losses	Corrective action plan
Chimei Materials Technology Corp. (Kunshan)	49%	(378,861)	The plant entered into mass production formally in 2017Q2, and related costs and expenses increased.	Production capacity decreased successfully and the products continued to have high quality, increasing profitability.
Maoyu investment Co.,Ltd	100%	(19,256)	Recongize the loss from investing CMVT	None

Investees	Shareholding ratio	Recognized Investment income	Profits or losses Main causes of	Corrective action plan
MaoFon trading Co., Ltd	100%	(90,826)	Recongize the loss incurred from inventory	none
Sian Jinyao new materials technology co.,Ltd	49.5%	(1,813)	Only overhead incurred	none

(3) Investment plans for the coming year:

Chimei Materials Technology Corp. (Kunshan) entered into mass production formally in 2017Q2, and its capital expenditure in 2018 is expected to be NT\$ 7.8 billion which is mainly for supporting the construction of the 2.5-meters super-wide front-end production line and the technical authorization fees of the Kunshan plant. It is expected to increase the Kunshan plant's polarizer production volume after entering into production, and provide customers with high-quality and low-cost polarizers.

6. For risk items, the Company shall analyze and assess the following matters in the most recent year and up to the date of publication of the annual report:

(1) The effect of interest, foreign exchange rate fluctuation and inflation rate on the Company's profits and losses, and measures to be taken in response in the future:

1. Interest rate:

The Company suffered continuous losses in 2016 and 2017. The main funding source was sales revenue and short-term bank loans. In the future, as the Company turns out of the red, it is expected to gradually prepay the bank loans and lower bank financing amount. Assume that the borrowing amount balance for the whole year is NT\$ 2 billion, then the interest will increase by NT\$ 2,500,000 as the interest rate increase by 12.5 basis points. The resulting interest expense will not cause effect on the Company's income and losses.

The Company's investee, Chimei Materials Technology Corp. (Kunshan), signed the syndicated loan agreement with the syndicated lending banks in August 2016. For example, assuming that the annual balance of the bank loan borrowed by Chimei Materials Technology Corp. (Kunshan) is US\$124 million (at the interest rate 4%) and that the loan is RMB700 million, the interest will increase by US\$155 thousand as the interest rate increase by 12.5 basis points. Considering the Company's 49% shareholding, the increase in interest shall have no effect to the Company's income and losses.

2. Foreign exchange rate:

The Company delegates dedicated personnel in its financial department to collect the information about foreign exchange rate anytime, and also keeps in touch with its correspondent banks to verify the bank's vision toward the trend of foreign exchange rate and the global economic information, in order to help the Company judge the future trend of foreign exchange rates. Meanwhile, the Company will underwrite forward foreign exchange contracts in a timely manner to reduce the effect of foreign exchange risk on the Company's income and losses.

3. Inflation:

In the future, the Company will continue to maintain close and fair interaction with suppliers and customers, and expand its productivity to achieve the economies of scale effect, and continue to improve the production process to reduce the production cost, in the hope of mitigating the effect of inflation on the Company's income.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements and guarantees, derivatives transactions, the main reasons for the profits/losses generated thereby, and the plan for improving re-investment profitability:

1. For the most recent year and up to the date of publication of the prospectus (May 5, 2018), the Company has never engaged in high-risk investment, highly leveraged investment or loaning to others.

2. Statement of loans to others and endorsements/guarantees: Please refer to p.102~p.103.

3. The Company's derivative trading policy is stated as follows:

The Company engages in derivatives trading primarily for hedging against the foreign currency net position. In the future, the Company will continue to observe the trend of foreign currency exchange rate and engage in derivatives trading in a timely manner to reduce the foreign exchange risk of the Company's foreign currency net position.

(3) Research and development (R&D) plans to be carried out in the future and the expected R&D expenditures:

Future R&D plans:

The Company is a professional optimum film manufacturer. Its mid-term and short-term R&D plans will focus on polarizer. The mid- and long-term R&D plan will extend to film materials and multiple film materials, in order to keep enriching the completeness of products and strengthening the Company's competitiveness.

2. Further expenditures expected for research and development:

The Company schedules to invest NT\$ 240,000 thousand of R&D expenditure in 2018, which accounts for 2.3% of the Company's revenue.

3. There will be new technology of strategic importance in the future:

a. It is expected that various LCD manufacturers will start the mass production of 8K4K LCD successively in the latter half of 2017 to 2018. However, given the upgraded 8K4K resolution and the drastic declination of perture ratio, the LCD power consumption is expected to be upgraded sharply. To deal with such situation, the Company and its subsidiary, Chimei Visual Technology Corp., have worked with each other permanently. In the future, the OMNI-FILM developed by Chimei Visual Technology Corp. will be applied to the external layer of the polarizer to meet the needs for 8K4K low-power consumption polarizer and resolve the energy consumption issue raised by customers.

b. With the existing equipment and technology power, the Company actively engages in developing new multiple film material solution for applying on LCDs, by which to develop new products other than polarizers!

(4) The effect of important changes of policies and legal environments at home and abroad on the Company's financial operation, and the measures to be taken in response:

The Company is used to complying with the related domestic and foreign laws and regulations, and keeps watching any policies and laws which might affect the Company's operations to ensure the Company's normal operations. If necessary, the Company will consult with such professional entities as attorneys-at-law and CPA firms, or entrust them to evaluate, suggest and plan the counter-measures to achieve compliance with laws and reduce the adverse effect to the Company's financial business.

(5) Effect of technology development and industrial change on the Company's financial operations and measures to be taken in response:

The Company is used to valuing developments in science and technology and industrial change. The Company is still not satisfied with its current achievements, but works hard to seek insightful electronic chemical products and continues to invest funds in R&D of new product lines, in the hope of achieving the Company's sustainable development.

(6) Effects of corporate image change on the Company's crisis management, and measures to be taken in response:

Since the Company was incorporated, it has upheld the ethical management and sustainable development as its objective, and strictly complied with related laws and internal control requirements, and also adjusted related operations in a timely manner to deal with the changes.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and response measures to be taken: The Company has no plan for merger and acquisition so far.

- (8) Expected benefit and possible risk associated with plant expansion, and measures to be taken in response:

In order to deal with China LCD manufacturers' demand for Polarizer and increase the Company's market share of Polarizer in the market of Mainland China and other countries in the world, the Company invested in Chimei Materials in Kunshan, which has started to build the first production line. It started its mass production in 2017Q2.

As LCD quickly started production, there will be large needs for polarizers. Thus, in addition to the existing Chimei Materials in Kunshan which has invested in the 1.5M production line, the Company plans to cooperate with Nitto Denko Corporation, one of the world's leading polarizer manufacturers. Nitto Denko Corporation will authorize the production technology of 2.5M wide line and provide necessary technical guidance. Chimei Materials in Kunshan will invest a 2.5M wide polarizer production line.

As the production capacity in Mainland China grows successively, the market demand for polarizer is expected to rapidly grow over 20,000,000 meter square per month. Specifically, the current polarizer supply is still limited in China, and most firms rely on imports. Thus, there is an eager demand for nationalization. There is also tariff for imported polarizers in China. The investment of 2.5M production line by Chimei Materials in Kunshan will follow the fast-growing demand for polarizer in China. The Company also has the advantage of free tariff for its products. Furthermore, with the advanced technology provided by Nitto Denko Corporation, the competitiveness of Chimei Materials in Kunshan will be strengthened in China market.

The Company and its suppliers are used to negotiating for contracts and transaction prices on a quarterly basis. Due to the fact that the upstream raw materials are manufactured by Japan-based or Korea-based leading manufacturers, the room saved for the Company's negotiation for price about procurement of materials is limited. After the first production line installed in Kunshan plant starts to engage in mass production and achieves its productivity, the Company plans to negotiate with the upstream suppliers for price by claiming to lower the purchase cost by volume purchase to strengthen the Company's competitiveness.

The above-mentioned investment projects have been evaluated by the Company through strict procedure and approved by the Investment Committee, MOEA. The Company has invested its own fund in 2014 for constructing the first line, and plans to invest in another second line with its own funds. Therefore, no risk should be incurred to the Company's operation.

- (9) Risks associated with purchasing or sales consolidation, and measures to be taken in response:

Consolidation of purchasing operations: The upstream raw materials supply refers to a monopolized market, which is held as the industrial characteristic. The Company is used to keeping fair relationships with its suppliers and never stops communicating with them. The Company establishes the safety control over inventory and increases the second source of supply to seek the possibility for replacement of the suppliers with local manufacturers.

Consolidation of sales operations: The downstream customers are concentrated in Innolux Corporation (hereinafter referred to as "Innolux") and its affiliates, primarily as a result of the industrial characteristics. Notwithstanding, in addition to said customer, the Company's customers also include Chunghwa Picture Tube, Ltd. (hereinafter referred to as "Chunghwa Picture") and its affiliates and HannStar® Display Corporation ("HannStar") and other customers. Under the increasing production capacity of the Line 1 in Kunshan Plant and the advantage of nationalization, the sales of China LCD manufacturers gradually increase. It is expected that the sales of China LCD will continue increasing and the customers will be diversified after the second line started production.

- (10) Effect upon and risk to the Company in the event a major quantity of shares held by a director (including independent director), or a major shareholder with more than 10% shareholding has been transferred or changed hands, and measures to be taken in response:
1. The major shareholder, Chimei Corporation, had shareholdings of 14.88% in 2017 (until December 31, 2017). Notwithstanding, until April 24, 2018 (date of suspension of stock transfer), its shareholdings has declined to 4.83%.
 2. Chimei Corporation is the Company's major shareholder. It disposed of equity primarily for enriching its operating funds. Upon evaluation, its disposition of equity should be considered as having no direct effect to the Company's finance and business.
- (11) Effect upon and risk to Company associated with any changes in governance personnel or top management, and measures to be taken in response: none.
- (12) Litigation and non-litigation matters: List major litigation, non-litigation administrative disputes that involve the Company and/or any of the Company's directors (including independent directors), presidents, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:
1. The lawsuits, non-litigation cases, administrative litigation that are decided by the court or still pending in the most recent two years until the date of publication of the annual report, which could materially affect shareholders' equity or the prices of the Company's securities: none.
 2. The Company's directors (including independent directors), presidents, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 per cent, and any company or companies controlled by the Company that is involved in the lawsuits, non-litigation cases, administrative litigation that are decided by the court or still pending in the most recent two years until the date of publication of the annual report which could materially affect shareholders' equity or the prices of the Company's securities: None.
- (13) Other important risks, and measures to be taken in response: none.

7. Other important matters: none.

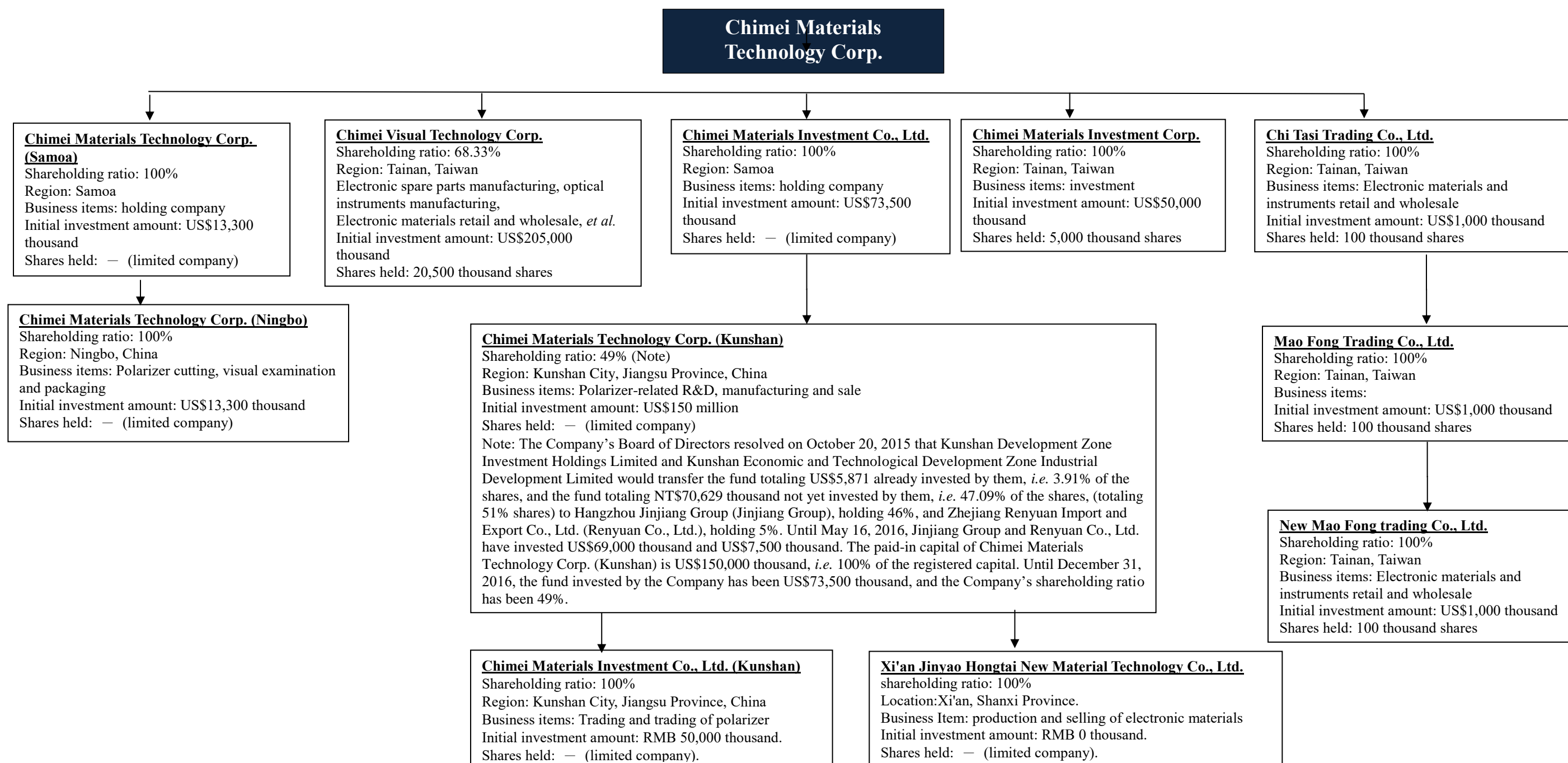
VIII. Special items to be included

1. Information related to the Company's affiliates:

(1) Overview of affiliates:

1. Affiliates' Organizational Chart:

Data date: March 31, 2018



2. Basic information of affiliates

March 31, 2018

Date of business	Date of incorporation	Address	Paid-in capital	Scope of business/production
Chimei Materials Technology Corp.(Samoa)	2005.12.08	Offshore Chambers P.O. Box 217, Apia, Samoa	USD13,300 thousand	Holdings company
CMVTCorp.	2010.09.10	No. 13, Mushangang West Road, Shanhua District, Tainan City	NTD300,000 thousand	Production and selling of electronic materials
Chimei Materials Technology Corp. (Ningbo)	2006.02.06	No. 3, Alishan Road, Ningbo Export Processing Zone, China	USD13,300 thousand	Production and selling of electronic materials
Chimei Materials Investment Co., Ltd.	2014.03.07	TMF Chambers, P. O. Box 3269, Apia, Samoa	USD73,500 thousand	Holdings company
Cheng Mei Materials Investment Co., Ltd. (Kunshan)	2014.04.14	No. 111, Jian Hu Road, Kunshan Economic and Technical Development Zone	RMB50,000 thousand	Trading and trading of polarizer
Chimei Materials Technology Corp. (Kunshan)	2014.05.13	No. 111, Jian Hu Road, Kunshan Economic and Technical Development Zone	RMB948,460 thousand	Polarizer-related R&D, manufacturing and sale
Chimei Materials Investment Corp.	2015.06.26	1F, No. 392, Jinhua Road, Sec. 1, South District, Tainan City	NTD50,000 thousand	Engaged in investing activities
Mao Fong Trading Co.,Ltd	2015. 06,26	No 145 4 f of long spring rd		Investment
Mao Yu Investment Co., Ltd	2017. 01,12	No 145 4 f of long spring rd		Tracking
Xi'an Jinyao Hongtai New Material Technology Co., Ltd.	2017.10.30	No. 19, Floor 2, Caotang Technology Industry Base, Gaoxin District, Xian City, Shanxi Province	0 thousand	Production and selling of electronic materials

3. Information on business scope of the Company's affiliates and division of labor:

March 31, 2018

Date of business	Scope of business/production	Division of labor
Chimei Materials Technology Corp.(Samoa)	Holdings company	Holdings
Chimei Visual Technology Corp.	Electronic spare parts manufacturing, optical instruments manufacturing, electronic materials retail and wholesale, et al.	Important subsidiaries
Chimei Materials Technology Corp. (Ningbo)	Production and selling of electronic materials	Purchase the Company's polarizer coil materials for back-end cutting, inspection, packaging and sale.
Cg Materials Investment Co., Ltd.	Holdings company	Holdings
Chimei Materials Investment Co., Ltd. (Kunshan)	Trading business	Trading and trading of polarizers
Chimei Materials Technology Corp. (Kunshan)	Production and selling of electronic materials	The Company's polarizer plant construction and production technology projects were licensed to the important subsidiary, Chimei Materials Technology Corp. (Kunshan), which would proceed with the related R&D, manufacturing and sale of polarizers locally.
Chimei Materials Investment Corp.	Holdings company	Engaged in investing activities
Chi Tasi Trading Co., Ltd.	Trading company	Electronic materials and instruments retail and wholesale

Xi'an Jinyao Hongtai New Material Technology	Production and selling of electronic materials	The Company's polarizer plant construction and production technology projects were licensed to the important subsidiary, Xi'an Jinyao Hongtai New Material Technology, which would proceed with the related R&D, manufacturing and sale of polarizers locally.
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4. Information of directors, supervisors and presidents of the Company's affiliates:

March 31, 2018 / Unit: shares

Date of business	Job title	Name or representative	Shares held	
		Representative	Shares	Shareholding ratio %
Chengmei Materials Technology Corp.(Samoa)	Execution Director	Chengmei Materials Technology Corp. Representative: Jau-Yang Ho	Note 1	100%
	Secretary	Corporate investor: Chimei Materials Technology Corp.		
CMVT Corp.	Chairman	Chengmei Materials Technology Corp. Representative: Jau-Yang Ho	20,500,000	68.33%
	Director and also President	Chengmei Materials Technology Corp. Representative: Wan-Yang Li		
	Director	Chengmei Materials Technology Corp. Representative: Chien-Chih Wang		
	Director	K LASER Technology Inc. Representative: Wei-Wu Guo	4,800,000	16.00%
	Supervisor	Wei-Chung Lian	0-	0%
Chimei Materials Technology Corp. (Ningbo)	Execution Director	Chengmei Materials Technology Corp.(Samoa) Representative: Jau-Yang Ho		Note 2
	Supervisor	Wei-Chung Lian		
Chimei Materials Investment Co., Ltd.	Execution Director	Chengmei Materials Technology Corp. Representative: Jau-Yang Ho		100%
	Secretary	Corporate investor: Chengmei Materials Technology Corp.		
Chimei Materials Technology Corp. (Kunshan)	Chairman and also President	Chimei Materials Technology Corp. Representative: Jau-Yang Ho	Note 1	Note 3
	Director	Chimei Materials Technology Corp. Representative: Lai-Huang Lo		
	Supervisor	Chimei Materials Technology Corp. Representative: Wei-Chung Lian		
	Supervisor	Shih-Long Zhou		0%
Chimei Materials Investment Co., Ltd. (Kunshan)	Executive Director and also President	Bin-Hua Yen		Note 4
Chimei Materials Investment Corp.	Chairman	Chengmei Materials Technology Corp. Representative: Jau-Yang Ho	5,000,000	100%
	Director	Chimei Materials Technology Corp. Representative: Chien-Chih Wang		
	Director	Chimei Materials Technology Corp. Representative: Wan-Yang Li		
	Supervisor	Chimei Materials Technology Corp. Representative: Wei-Huang Yu		

Mao Fong Trading Co., Ltd	Chairman	Chengmei Materials Technology Corp. Representative: Jau-Yang Ho	31,100	100%
	Director	Chengmei Materials Technology Corp. Representative: Chao-Ju Yang		
	Director	Chengmei Materials Technology Corp. Representative: Shih-An Hsu		
	Supervisor	Wei-Chun Lian		
Xi'an Jinyao Hongtai New Material Technology Co., Ltd.	Executive Director	Yuan Huang	Note 1	Note 5
	President	Bin-Hua Yen		
	Supervisor	Xiu Yun Du		
Mao Yu investment Co Ltd	Chairman	Chengmei Materials Technology Corp. Representative: Jau-Yang Ho	25,000	100%
	Director	Chengmei Materials Technology Corp. Representative: Chao-Ju Yang		
	Director	Chengmei Materials Technology Corp. Representative: Shih-An Hsu		
	Supervisor	Wei-Chun Lian		

Note 1: A limited company

Note 2: Indirect subsidiary, with shareholding 100% indirectly

Note 3: The Company's Board of Directors resolved on October 20, 2015 that Kunshan Development Zone Investment Holdings Limited and Kunshan Economic and Technological Development Zone Industrial Development Limited would transfer the fund held totaling US\$ 5,871,000, i.e. 3.91% of total shares, and the fund totaling NT\$ 70,629,000 was not yet invested (i.e. 47.09% of total shares). The above 51% shares are transferred to Hangzhou Jinjiang Group (Jinjiang Group) with 46%, and Zhejiang Renyuan Import & Export Co., Ltd. (Renyuan Co., Ltd.) with 5%. Until May 16, 2016, Jinjiang Group and Renyuan Co., Ltd. have invested US\$69,000 thousand and US\$7,500 thousand. The paid-in capital of Chimei Materials Technology Corp. (Kunshan) is US\$150,000 thousand, i.e. 100% of the registered capital. As of December 31, 2016, the fund invested by the Company has been US\$ 73,500 thousand, and the Company's shareholding ratio has been 49%.

Note 4: Chimei Materials Technology Corp. (Ningbo) transferred 100% of its equity to Chimei Materials Technology Corp. (Kunshan) in August 2016. As a result, the Company's indirect shareholding ratio became 49%.

Note 5: Xi'an Jinyao Hongtai New Material Technology Co., Ltd. was established in October 2017, and was originally 100% held by Hengjie Industrial Co., Ltd. Chimei Materials Technology Corp. (Kunshan) obtained the 100% shareholding from Hengjie Industrial Co., Ltd. on March 12, 2018, and the indirect shareholding ratio became 49%.

<II> Overview of business of various affiliates

1. Overview of business of various affiliates:

December 31, 2018; Unit: NT\$ thousand

Entity	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income after tax for the current period	Earnings per share (EPS) (dollars)
Chengmei Materials Technology Corp.	6,657,285	15,616,701	5,132,436	10,484,265	8,242,816	(254,786)	(655,080)	(0.98)
Chengmei Materials Technology Corp.(Samoa)	431,482	2,917,288	2,140,035	777,253	-	(200)	(51,902)	
Chengmei Materials Technology Corp. (Ningbo)	590,061	2,917,260	2,061,897	758,099	4,276,552	(16,327)	(51,702)	Note 2
CMVT Corp.	300,000	244,381	157,325	87,056	113,630	(74,112)	(28,971)	(0.97)
Chimei Materials Investment Co., Ltd.	4,447,763	14,685,972	7,421,240	7,264,732	-	(36)	(378,851)	Note 2
Chimei Materials Investment Co., Ltd. (Kunshan)	Note 1	332,320	171,450	160,874	165,711	(63,314)	(78,418)	Note 2
Chimei Materials Technology Corp. (Kunshan)	8,607,722	14,685,943	7,420,966	7,264,977	4,907,223	(174,528)	(765,974)	Note 2
Mao Yu Investment Co., Ltd.	350,000	290,341	6,085	284,256	-	(3,997)	(19,256)	
Mao Fong Trading Co., Ltd	1,001,000	906,820	33,416	873,404	20	(92,882)	(90,856)	

Note 1: The Company made the investment via an existing company invested by it in a third territory.

Note 2: A limited company

2. Endorsements and guarantees from affiliated companies, lending funds to other parties and transaction information for financial derivative products:

(1). Endorsements and guarantees:

Endorsements and guarantees for others
January 1, 2017 to December 31, 2017

Unit: in NT\$ thousand unless otherwise specified

No.	Company name of endorser/guarantor	Endorsee/guarantee		Limit of endorsement/guarantee made to a single enterprise (Note 3 and Note 4)	Highest endorsement	Balance of endorsements and guarantees at period end	Actual drawdown	Endorsement/guarantee secured by property	Accumulated endorsement/guarantee to the net worth in the most recent financial statements	Highest limit of endorsements and guarantees (Notes 3 and 4)	Endorsement/guarantee made by parent company to subsidiary	Endorsement/guarantee made by subsidiary to parent company	Endorsement/guarantee to territories of Mainland China
		Company name	Relationship										
0	CMMT	Mao Fong Trading Co., Ltd	Note 1	\$ 5,242,133	\$ 1,228,600 USD40,000,000	\$ 1,228,600 USD40,000,000	\$ -	\$ -	11.72%	\$ 10,484,265	Yes	No	No
0	CMMT	Cheng Mei Materials Technology Corp. (Kunshan)	Note 2	\$ 5,242,133	\$ 3,393,346 USD60,760,000 RMB341,481,000	\$ 3,393,346 USD60,760,000 RMB341,481,000	\$ 1,736,530 USD50,470,000 RMB41,669,000	\$ -	32.37%	\$ 10,484,265	Yes	No	Yes
1	Chimei Materials Technology Corp. (Kunshan)	Chimei Materials Trading Corp. (Kunshan)	Note 2	\$ 4,358,986	\$ 1,788,800 RMB400,000,000	\$ 1,788,800 RMB400,000,000	\$ 113,674 RMB25,419,000	\$ -	24.62%	\$ 7,264,977	Yes	No	Yes

Note 1: The relation between the endorsements and guarantees and the Company is the company endorsed and guaranteed by each shareholder with its shareholding due to the mutual investment relation.

Note 2: Parent companies who directly hold shares or indirectly hold more than 50% of the common shares via subsidiaries

Note 3: The total endorsement/guarantee shall be no more the Company's net worth for the current period, according to the "Endorsement and Guarantee Procedures." The endorsement/guarantee to any single enterprise shall be no more than 50% of the net worth for the current period.

Note 4: The total endorsement/guarantee shall be no more the Company's net worth for the current period, according to the "Endorsement and Guarantee Procedures" of Chimei Materials Technology Corp. (Kunshan). The endorsement/guarantee to any single enterprise shall be no more than 60% of the net worth for the current period.

(2) Lending:

Lending to others
January 1, 2017 to December 31, 2018Unit: unless otherwise specified
, in NT\$ thousand

No.	Lender	Borrower	Transaction	Stakeholder or not	Highest balance for the current period	Balance at ending	Actual drawdown	Interest rate range	Characteristics of lending	Transaction amount	Reason for short term loan	Provision of allowance for doubtful accounts	Collateral		Limit of lending to counterpart	Total limit of lending
													Name	Value		
0	CMMT	CMVT	Other account receivables—stakeholder	Yes	108,387	108,387	108,387	1.82%~4.16%	Business	150,470	For revolving fund	-	N/A	-	150,470	6,290,559
1	Chimei Materials Technology Corp. (Kunshan)	Chimei Materials Trading Corp. (Kunshan)	Other account receivables—stakeholder	Yes	223,600	223,600	-	4.35%	Short-term loan	-	For revolving fund	-	N/A	-	2,905,991	\$4,358,986 (Note 2)
2	Chimei Materials Trading Corp. (Kunshan)	Chimei Materials Technology Corp. (Kunshan)	Other account receivables—stakeholder	Yes	67,080	67,080	-	4.35%	Short-term loan	-	For revolving fund	-	N/A	-	64,348	96,522
2	Chimei Materials Trading Corp. (Kunshan)	SiAn Jin Yao new materials technology Co., Ltd	Other account receivables—stakeholder	Yes	2,236	2,236	-	4.35%	Short-term loan	-	For revolving fund	-	N/A	-	64,348	96,522
2	Chimei Materials Trading Corp. (Kunshan)	HungZhou zoomjia trading Co.,Ltd	Other account receivables—stakeholder	Yes	118,347	68,681	68,681	-	Business	296,025	-	-	N/A	-	-	-
2	Chimei Materials Trading Corp. (Kunshan)	Zen Jia Trading Co., Ltd	Other account receivables—stakeholder	Yes	263,942	87,316	91,495	-	Business	549,764	-	-	N/A	-	-	-
2	Chimei Materials Trading Corp. (Kunshan)	Lu Lin Technology Co., Ltd	Other account receivables—stakeholder	No	164,927	-	-	-	Business	385,980	-	-	N/A	-	-	-
2	Chimei Materials Trading Corp. (Kunshan)	Shanghai Zui Choun Co., Ltd	Other account receivables—stakeholder	No	67,169	-	-	-	Business	173,447	-	-	N/A	-	-	-
2	Chimei Materials	Shanghai Zui En	Other account receivables—stakeholder	No	48,767	-	-	-	-	154,150	-	-	N/A	-	-	-

	Is Trading Corp. (Kunshan)	Trading Co., Ltd	keholder													
2	Chimei Materials Trading Corp. (Kunshan)	Shun Dong energy technology Co., Ltd	Other account receivables—stakeholder	- No	37,118	-	-	-		38,555				N/A		

Note 1: The lending by Chimei Materials Technology Corp. (Kunshan) to any individual counterpart shall be no more than 40% of the net worth for the current period.

Note 2: The total lending by Chimei Materials Technology Corp. (Kunshan) shall be no more than 60% of the net worth for the current period.

(3). Information about derivative trading: None

<III> Consolidated financial statements of affiliates: Appendix a