

**CMMT**

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# **CHENG MEI MATERIALS TECHNOLOGY CORPORATION**

(Formerly known as CHI MEI MATERIALS TECHNOLOGY CORPORATION)

## **2020 Annual Report**

**Stock Code: 4960**

This annual report is available at:

Market Observation Post System (MOPS) designated by the competent authority: <https://mops.twse.com.tw>

The Company's website: <http://www.cmmt.com.tw>

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Name of marketable securities: Global Depositary Receipts (CHENG MEI MATERIALS TECH GDR)

Singapore Stock Exchange: <http://www.sgx.com>

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Appendix A 2020 Consolidated Financial Statements and CPAs’ Review Report

Appendix B 2020 Parent Only Financial Statements and CPAs’ Review Report

## One. Letter to Shareholders

Dear Shareholders,

While the COVID-19 outbreak impacted the world in 2019, it at the same time created new opportunities. Due to the outbreak, the market of the first half of 2019 was conservative, as was the demand. However, new demand for panels grew rapidly in the second half of 2019 as a large group of people were working from home or spending more time at home, showing an increase in growth.

In a market that is highly volatile throughout the year, Cheng Mei Materials Technology, Corp. (hereinafter referred to as “CMMT”) has continued to refine its business operations in a bid to respond to the constantly-changing market. The Company will persist in accelerating the development of new customers while optimizing products and customer portfolios to stabilize operations and improve the financial structure. The corporate structure of the Company will continue to be enhanced to meet challenges of the external environment.

### I. 2020 Operating Results

#### (I) Implementation Results of Operational Plans

In 2020, CMMT pursued new customers, resulting in revenue growth each quarter. The new production capacity in the investment in Kunshan has proven positive with the operation booming, and the profit continues to grow quarter by quarter, injecting additional revenue into the Company. In summary, CMMT is no longer operating at a loss. The second half of 2020, the Company has turned loss into profit, getting back on the track of revenue growth.

CMMT executed the following 4 operating policies and the results of the implementation are:

- I. Promoted existing products to new customers, continued to increase customer dispersion  
Implementation result: In 2020, with stable deliveries of existing customers and the steady expansion of new customers, the total revenue ratio of Japanese customers and Chinese customers increased from 20% to 50%, the Company’s customer diversification continued.
- II. Strengthened promotion of high-value automotive, OLED and slim cell phone products  
Implementation result: In view of the impact the COVID-19, the global automotive market and cell phone market showed a decline. In order to maintain our existing customers, the Company also completed the delivery of samples to its Chinese customers, and increased the volume in 2021. In 2019, the Company completed the delivery of samples of OLED products to its Chinese customers, and is expecting revenue in 2021. The proportion of revenue from cell phone products has increased from 10% in 2019 to 15% in 2020, with double-figure revenue growth.
- III. Enhanced sales of high-end large-sized TV products  
Implementation result: Due to the continuous volume of demand from new customers, the revenue of large-sized TVs has increased significantly. In line with the demand of customers’ for high-end products, the Company has accelerated the introduction of low-water vapor permeability materials.
- IV. Insistence on eliminating bottlenecks to improve process capability.  
Implementation result: As the order demand continued to grow, the production line at the same time was optimized, resulting in production capacity for 2020 growing by 15% from 2019.

#### (II) Financial Income and Expenses and Profitability Analysis

Unit: NT\$ thousand; %

Item	2020	2019	Change rate of increase (decrease) (%)
Operating income	9,456,875	14,896,250	-36.52
Operating profit (loss)	307,753	569,478	-45.96
Net operating loss	-269,648	-450,166	-40.10
Net loss for the year	-91,471	-760,446	-87.97
Gross margin	3.25	3.82	-14.92
Net operating loss ratio	-2.85	-3.02	-5.63

Unit: NT\$, %

Item		2020	2019
Financial Structure Analysis	Debt to assets ratio (%)	33.97	31.93
	Long-term capital to property, plant and equipment ratio (%)	248.45	221.99
Debt Structure Analysis	Return on assets (%)	-0.26	-2.39
	Return on equity (%)	-0.95	-6.37
Profitability Analysis	Ratio of net loss before tax to paid-in capital (%)	-1.36	-11.10
	Net loss ratio (%)	-0.97	-5.10
	Loss per share after tax	-0.13	-1.03

## II. Future Business Layout

### (I) Management Policy and Production and Sales Plan

In response to panel market changes and the goal to disperse customers, CMMT is committed to stabilizing existing customers and strengthening the relationship with customers through technical collaboration, while also accelerating the introduction of Chinese panel makers, to take advantage of the rising global market share of Chinese panel makers.

Thanks to CMMT's full capacity, the Company will center on the adjustment of products and structure of orders in 2021 compared to past operations to increase the proportion of high profitability products, introduce hydrophobic and high permeability materials to TV products, and stabilize unit selling prices. As for IT products, due to the pandemic, the home office market and education market grew, increasing the demand for IT panels. In 2021, CMMT will still be dedicated to promoting existing products to new customers. Due to the pandemic and the demand of high-end cell phones (FHD/OLED) entering a plateau period, the price for small and medium-sized products has become increasingly fierce. In 2021, the Company will focus on increasing the proportion of high-end products, laying out the plan for the rebound of the cell phone market in 2022.

Benefitting from the expansion of new customers, the size of the Company's sales has been gradually growing as has the capacity utilization rate. Meanwhile, through equipment renovation and technology refinement, CMMT will also do its utmost to eliminate production capacity difficulties as a means to reduce production costs to build cost competitiveness.

### (II) External Market Competition, Regulations and Overall Economy

The growth of demand in the panel market will continue from 2021 to 2027, primarily benefiting from a) the increase of high-generation production capacity in China, which will enlarge the average size of TVs, providing large products with higher price-performance ratio; b) the increase of emerging applications and the penetration rate of panels in daily-life products, replacing digital signage with public displays and replacing traditional dashboards with car panels to drive the growth of high-end demand. Overall, the increase of panel demand will also drive increase in the demand of polarizers.

With the global pandemic continuing, the global economy remains highly volatile. Given that the US and Japanese currencies are highly correlated with the Company's profitability, CMMT will concentrate on sales diversification and production optimization to strengthen competitiveness in a bid to respond to the highly competitive environment.

CMMT has a company mission: "By creating values of happiness and promoting diverse culture with innovative technology, we strive to become a company that makes people's lives easier". The Company has always been committed to building a friendly workplace for its employees and continuing to reduce waste generation through production, treatment and introduction of new materials in order to make a difference for our next generation.

Chairman: Ho Jau-Yang

President: Lo Lai-Huang

Date: March 12, 2021

## Two. Company Profile

I. Date of incorporation: May 17, 2005

II. Company history:

May 2005	Established Chi Mei Materials Technology Corporation, with a paid-in capital of NT\$350,000 thousand as company invested by Chi Mei Corporation.
June 2005	Produced the first Pilot polarizing film.
November 2015	Released the polarizing film internally with the equivalent optical quality specifications to the ones available in the market.
November 2015	Increased cash capital by NT\$650,000 thousand (approval of change by the Ministry of Economic Affairs: 2005-11-28). Paid-in capital increased to NT\$1,000,000 thousand.
February 2016	Established Ningbo Chi Mei Materials Technology Co., Ltd. (2006-02-06), with paid-in capital of US\$13,000 thousand - a 100% investment company of Chi Mei Materials Technology Co., Ltd.
June 2016	Increased cash capital by NT\$1,500,000 thousand (approval of change by the Ministry of Economic Affairs: 2006-07-07). Paid-in capital increased to NT\$2,500,000 thousand.
October 2016	Completed the construction of Taiwan's Plant 1 and attained the user license (2006-10-30).
March 2017	Began mass production at the first front-end production line in Taiwan.
April 2017	Attained the ISO 9001:2000 quality certification. Attained the QC 080000:2005 green product management system certification.
May 2017	Began mass production at the second front-end production line in Taiwan.
October 2017	Reduced capital by NT\$1,000,000 thousand and increased cash capital by NT\$800,000 thousand (approval of change by the Ministry of Economic Affairs: 2007-11-19). Paid-in capital increased to NT\$2,300,000 thousand.
December 2017	Revenue in Taiwan reached NT\$600 million in a single month, achieving the break-even point.
December 2017	Began mass production on the first back-end production line in Ningbo, China. Attained the ISO 14001:2004 environmental management system certification for Taiwan.
January 2008	Attained the OHSAS 18001:1999 occupational health and safety management system certification for Taiwan.
March 2008	Began the construction of Chi Mei's second polarizing plant in Taiwan.
April 2008	Installed the second back-end production line in Ningbo, China.
May 2008	Increased cash capital by NT\$550,000 thousand (approval of change by the Ministry of Economic Affairs: 2008-06-12). Paid-in capital increased to NT\$2,850,000 thousand.
July 2008	Began mass production and shipping on the second back-end production line in Ningbo, China.
March 2009	Attained the OHSAS 18001:2007 occupational health and safety management system certification for Taiwan.
October 2009	Attained the ISO 9001:2008 quality certification for Taiwan.
November 2009	Increased cash capital by NT\$1,000,000 thousand (approval of change by the Ministry of Economic Affairs: 2009-12-17). Paid-in capital increased to NT\$3,850,000 thousand.
November 2009	Installed the third front-end production line in Taiwan.

December 2009	Began trial operation on the third front-end production line in Taiwan.
January 2010	Completed the construction of Taiwan's Plant 2 and attained the user license (2006-01-26).
February 2010	Began mass production on the third front-end production line in Taiwan.
July 2010	Applied for public offering.
August 2010	Listed on the Emerging Stock Board.
September 2010	Established Chi Mei Video Technology Co., Ltd. (2010-09-10), with paid-in capital of US\$25,500 thousand - a 100% investment company of Chi Mei Materials Technology Co., Ltd.
December 2010	Began the installation of the fourth front-end production line in Taiwan.
April 2011	Began mass production on the fourth front-end production line in Taiwan. Listed for trading on the TWSE.
October 2011	Increased cash capital by NT\$235,200 thousand (approval of change by the Ministry of Economic Affairs: 2011-11-04). Paid-in capital increased to NT\$4,431,700 thousand.
August 2012	Increased cash capital by NT\$480,000 thousand (approval of change by the Ministry of Economic Affairs: 2012-09-17). Paid-in capital increased to NT\$4,911,700 thousand.
February 2014	Approved the establishment of a front and back-end polarizer plant in Kunshan, China, by the board of directors.
March 2014	Signed an investment agreement with a Kunshan-related joint venture.
March 2014	Established Chi Mei Materials Technology Investment Co., Ltd. (2014-03-07), with paid-in capital of US\$5 thousand - a 100% investment company of Chi Mei Materials Technology Co., Ltd.
April 2014	Established Kunshan Chi Mei Materials Trading Co., Ltd. (2014-04-14), with paid-in capital of US\$360 thousand - a 100% investment company of Chi Mei Materials Technology Co., Ltd.
May 2014	Established Kunshan Chi Mei Materials Technology Co., Ltd. (hereinafter referred to as "Kunshan CMMT") (2014-05-13), with paid-in capital of US\$73,500 thousand - a 100% investment company of Chi Mei Materials Technology Co., Ltd.  Note: The total capital of the investment of the establishment of Kunshan CMMT was expected to be US\$150,000 thousand, with the Company holding 49% of its shares; the investment amount was US\$73,500 thousand. As of December 31, 2013, the paid-in capital of Kunshan CMMT was in US dollars. The amount of US\$73,500 thousand was capitalized by the Company; the Company's indirect current shareholding ratio was 100%.
August 2014	Capital increase out of earnings to issue new shares (approval of change by the Ministry of Economic Affairs: 2014-09-03) increased the capital by NT\$245,585 thousand. Paid-in capital reached NT\$5,157,285 thousand.
October 2015	Signed the investment agreement and changed the joint venture partners of Kunshan CMMT to Hangzhou Jinjiang Group Company Ltd. holding 46% of the shares and Zhejiang Renyuan Import & Export Co., Ltd. holding 5% of the shares.
March 2017	The Company's participation in the issuance of global depositary receipts by cash capital

increase was approved by the Department of Foreign Exchange, Central Bank of Taiwan with an issued Letter Tai-Yang-Wai(5) 10600092680 dated March 8, 2017, and Financial Supervisory Commission with an issued Order Letter Jin-Kuan-Cheng-Fa-Tzu 1060008354 dated March 30, 2017.

- September 2017 The Company issued new shares for cash capital increase and participated in the issuance of global depository receipts and was officially listed on Singapore Exchange (SGX) on September 15, 2017.
- November 2017 The Company entered into a cooperation agreement with Nitto Denko for the polarizer technology license. Kunshan Chi Mei had the rights to three 2,500mm wide production line for a total amount of JPY7.5 billion.
- July 2018 The Company officially changed its name to Cheng Mei Materials Technology Corp.
- January 2019 Vice chairperson Ye Mei-Li unlawfully dismissed former chairperson Ho Jau-Yang, resulting in a dispute over the Company's rights. According to the enforcement order of the Taipei District Court dated February 14, 2019, the chairperson Ho Jau-Yang resumed the job as the Company's chairperson.
- April 2019 The 2019 special meeting of shareholders was convened by the Company's independent director Liu Wei-Ting for the by-election of directors and independent directors, and Ho Jau-Yang was elected by the elected directors to continue to serve as chairperson. The Company's auditors for the 2018 (restated) financial statements issued an audit report of "Unqualified Opinion Plus Material Uncertainties Relating to the Continuous Operation and Other Matters" and classified the Company's listed marketable securities as a change in trading method.
- July 2019 The Company's application for debt negotiation with the creditor banks has been approved by all the creditor banks.
- October 2019 The capital of the subsidiary Kunshan CMMT was increased by its original shareholder by RMB200 million in cash. The shareholding ratio of Chi Mei Materials Technology Investment Co., Ltd. (the Company's 100% investment company) was reduced to 45.15%.
- December 2019 The subsidiary Kunshan CMMT increased its capital by US\$57 million in cash and introduced a new investor, Hefei Beicheng II Optoelectronics Industry Investment Partnership (limited partnership), resulting in a decrease in the shareholding ratio of the Company, Chi Mei Materials Technology Investment Co., Ltd. (the Company's 100% investment Company) to 38.4%. Kunshan CMMT was changed from a significant subsidiary to an investment company.
- April 2020 The CPAs have issued an "Unqualified Opinion Plus Material Uncertainties Relating to the Continuous Operation and Other Matters" for the 2019 financial statements published and reported by the Company; therefore, the ordinary trading method of the Company's listing securities was resumed.
- April 2020 The Company's application for extension of debt negotiation with the creditor banks was approved by more than two-thirds of the creditor banks.
- October 2020 The Company's subsidiary, CM Visual Technology Corporation (CMVT) (formerly known as Chi Mei Visual Technology Co., Ltd.) increased its capital by \$22,000 thousand

in cash and introduced a new investor, Himax Technologies, Inc., reducing the shareholding ratio of the Company and its wholly-owned subsidiary, Cheng Hui Investment Co., Ltd., to 23.29%.

November 2020

After the special meeting of shareholder was convened by the subsidiary, CMVT, for the by-election of directors and supervisors, the Company acquired 2 out of 5 seats of directors, and CMVT was changed from a subsidiary to an investment company.

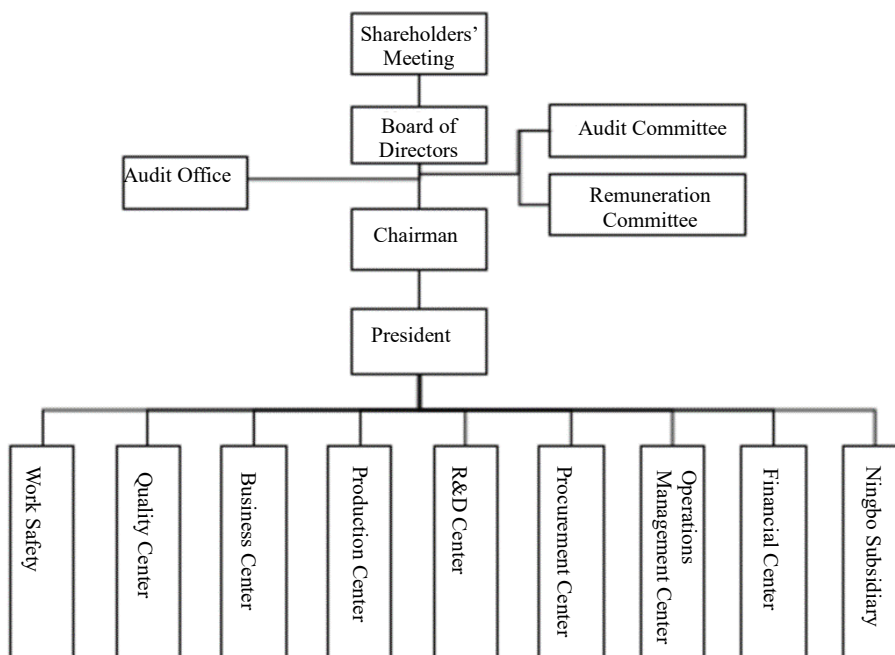
December 2020

Kunshan CMMT completed the share conversion and changed its name to Hengmei Optoelectronic Corporation. (hereinafter referred to as “Hengmei”).

### Three. Corporate Governance Report

#### I. Organization:

##### (I) Organizational structure:



##### (II) Operations of each major division:

Date: March 25, 2021

Name of Department	Main Functions
Audit Office	Overseeing the promotion of audit matters.
Work Safety	Overseeing the promotion of work safety matters.
Quality Center	Overseeing the promotion of the quality system and quality engineering.
Business Center	Overseeing the promotion of product sales and market customer management business.
Production Center	Overseeing the promotion of front and back-end production technology and optical equipment. Overseeing the promotion of equipment technical plant affairs (plumbing, electrical and air conditioning). Overseeing the promotion of production control, property management, IE, warehouses.
R&D Center	Overseeing the promotion of R&D technology.
Procurement Center	Overseeing the promotion of procurement and supplier management.
Operations Management Center	Overseeing the promotion of HR, general affairs, information and operations management.
Financial Center	Overseeing the promotion of finance and accounting work.
Ningbo Subsidiary	Overseeing the promotion of management of overseas subsidiary operations.

II. Directors (including independent directors), presidents, vice presidents, assistant managers, supervisors of all departments and branches:

(I) Information on the professionalism and independence of the directors (including independent directors), principal shareholders of corporate shareholders and directors (including independent directors)

1. Information on directors (including independent directors):

Closing date: March 2, 2021 ; Unit: Shares

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term of Office	Date First Elected	Shares Held When Elected		Current Shares Held		Shares Currently Held by Spouse and Underage Children		Shares Held in the Name of Others		Main (Academic) Experience	Current Concurrent Positions in the Company and Other Companies	Other Managers, Directors or Independent Directors Who Are Spouses or Within Second-Degree of Kinship to Each Other			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Republic of China	Ho Jau-Yang	Male	2019-04-26	3	2011-11-25	5,720,906	0.86%	4,865,313	0.73%	859,548	0.13%	0	0%	Bachelor's degree, Department of Chemical Engineering, National Cheng Kung University President, Chi Mei Corporation Vice chairperson, Chi Mei Optoelectronics Corporation	(1) CMVT Director (2) Director, Hengmei (3) Executive Director, Ningbo CMMT (4) Executive Director, CMMT (5) Chairperson, Cheng Hui Investment Co., Ltd. (6) Chairperson, Cheng Hui Trading Co., Ltd. (7) Executive Director, CMMT (Samoa)	Associate Vice President	Ho Yu-Lin	Father-Son	See Note 1 for details
Director	Republic of China	Innolux Corporation	-	2019-04-26 (Note 2)	3	2019-04-26	57,211,305	8.59%	57,211,305	8.59%	-	-	-	-	-	-	-	-	-	-
		Representative: Liu Chao-Hsien	Male			2019-06-26 (Note 2)	0	0%	0	0%	0	0%	0	0%	0	0%	Master's degree, Institute of Economics, Sun Yat-sen University	Director of Investment and Investor Relations, Innolux Corporation	-	-
Director	Republic of China	Beyondpv Co., Ltd.	-	2019-04-26	3	2019-04-26	1,000	0%	1,000	0%	-	-	-	-	-	-	-	-	-	-
		Representative: Chen Chi-Wen	Male			2020-06-22 (Note 3)	0	0%	0	0%	0	0%	0	0%	0	0%	Doctor of Business, Graduate Institute of Business Administration, Fu Jen Catholic University Doctor of Physical Education, Graduate School of Physical Education, National Taiwan Sport University Supervisor, Max Zipper Co., Ltd. Chairperson, Yihong Biotech (stock) Inc. Independent Director, Pihsiang Machinery Manufacturing Co., Ltd.	(1) Supervisor, Yong Zan Development Investment Co. (2) Director, SULDE International Consulting Corp. Ltd. (3) Director, JOYFAM Capital Holding Management Consulting Co., Ltd. (4) Chairperson, De-Pu-Tian-Xia Investment Management Consulting Co., Ltd. (5) Chairperson, De-Feng-Tian-Xia Investment Management Consulting Co., Ltd. (6) Director, Taipei Ningbo Exchange Foundation	-	-
Director	U.S.	Beyondpv Co., Ltd.	-	2019-04-26	3	2019-04-26	1,000	0%	1,000	0%	-	-	-	-	-	-	-	-	-	-
		Representative: Yeh Wei-Ping	Male			2019-09-30 (Note 3)	0	0%	0	0%	0	0%	0	0%	0	0%	Double Major in Anthropology and Mathematics, University of Minnesota President of the Business Division for mobile products, Solomon Systech Limited President, Product Marketing Center, TCL China Star Optoelectronics Technology Co., Ltd. Assistant Manager, HP U.S. headquarters IT Product Marketing and Technical Support Division, Innolux Corporation	-	-	-
Director	Republic of China	Beyondpv Co., Ltd.	-	2019-04-26	3	2019-04-26	1,000	0%	1,000	0%	-	-	-	-	-	-	-	-	-	-
		Representative: Lu Wei-Lun	Male			2019-04-26	0	0%	0	0%	0	0%	0	0%	0	0%	Doctor of Electrical Engineering, National Cheng Kung University Chairperson, Enernova International Corporation President, Beyondpv Co., Ltd. Manager, Motech Industries Inc. Manager, TSMC Solar Limited	Chairperson, Enernova International Corporation	-	-
Independent Director	Republic of China	Liu Wei-Ting	Male	2019-04-26	3	2017/02/08	0	0%	0	0%	0	0%	0	0%	Bachelor's degree, Department of Law, National Chung Cheng University Executive Master of Business Administration, College of Management in-service Master's Program, National Taiwan University PhD Candidate, China University of	(1) Supervisor, TOA - JET Chemical Co., Ltd. (2) Director, Taipei Law Attorney-at-Law (3) Presiding Lawyer/Director, Taipei Law Attorney-at-Law (4) Arbitrator, Chinese	-	-	-	-

																Political Science and Law, Beijing Judicial Officer, Fourth Category Special Examination Clerk, Shihlin District Court, Taiwan	Arbitration Association, Taipei (5) Agent, Patents/Trademarks					
Independent Director	Republic of China	Chen Yen-Sung	Male	2019-04-26 (Note 4)	3	2019-04-26	0	0%	0	0%	0	0%	0	0%	0	0%	Master, the Wharton School of the University of Pennsylvania CFO, Fubon Financial Holding Co. CFO, China Development Financial Holding Corporation CFO, E Ink Holdings Incorporated CFO, Chi Mei Optoelectronics Corporation Executive Director, Morgan Stanley	Director and President, Dasheng Financial Consulting Co., Ltd.	-	-	-	
Independent Director	Republic of China	Huang Kuo-Shih	Male	2019-04-26	3	2019-04-26	0	0%	0	0%	0	0%	0	0%	0	0%	Master's degree, Accounting, National Taiwan University Partner, PricewaterhouseCoopers Taiwan (PwC) Partner, Baker Tilly Clock & Co	(1) Partner Accountant, Kang-Chu United Accounting Firm (2) Independent Director, Better Life Group (3) Independent Director, G Tech Optoelectronics Corp. (4) Independent Director, Shuttle Inc. (5) Supervisor, Ways Technical Corp. Ltd.	-	-	-	

Note:

1. The Company's board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairman Ho Jau-Yang no longer served as the Company's president.
2. Innolux Corporation appointed a new representative Liu Chao-Hsien on June 26, 2019; the original representative Yang Hung-Wen was relieved of his post; Innolux Corporation and its representative Chao-Hsien resigned on May 6, 2020.
3. Beyondpv Co., Ltd. appointed a new representative Yeh Wei-Ping on September 30, 2019; the original representative Lo Lai-Huang was relieved of his post; Beyondpv Co., Ltd. appointed a new representative Chen Chi Wen on June 22, 2020; the original representative Yeh Wei-Ping was relieved of his post.
4. Independent director Chen Yen-Sung resigned on March 17, 2020.

2. Principal shareholders of corporate shareholders:

March 25, 2021

Name of corporate shareholder	Principal shareholders of corporate shareholders:
Beyondpv Co., Ltd.	Mauritian Chuang-Tien Co., Ltd. (69%), Chen Shu-Ju (17%), Tang Chi-Hung (14%)

3. If the principal shareholder of a corporate shareholder is a legal entity, the principal shareholder:

March 25, 2021

Name of legal entity	Principal shareholders of the legal entity
Mauritian Chuang-Tien Co., Ltd.	Wang, Michael Y.

4. Whether the directors (including independent directors) have at least 5 years of working experience in business, law, finance or corporate business, and meet the following criteria:

March 25, 2021

Name (Note 1)	Conditions	With at least five years of work experience and the following professional qualification			Independence Status (Note 2)												Number of other public companies in which the individual is concurrently serving as an 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	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 working experience in commerce, law, finance, accounting or other fields required by the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12		
Ho Jau-Yang (Note 1)			V				V		V	V	V	V	V	V	V	V	V	None
Representative of Innolux Corporation: Liu Chao-Hsien (Note 2)			V		V	V	V	V		V	V	V	V	V	V	V	V	None
Representative of Beyondpv Co., Ltd.: Lu Wei-Lun (Note 2)			V		V	V	V	V	V	V	V	V	V	V	V	V	V	None
Representative of Beyondpv Co., Ltd.: Ye Wei-Ping (Note 2)			V		V	V	V	V	V	V	V	V	V	V	V	V	V	None
Representative of Beyondpv Co., Ltd.: Chen Chi-Wen (Note 2)			V		V	V	V	V	V	V	V	V	V	V	V	V	V	None
Liu Wei-Ting	V	V	V		V	V	V	V	V	V	V	V	V	V	V	V	V	None
Chen Yen-Sung (Note 3)			V		V	V	V	V	V	V	V	V	V	V	V	V	V	None
Huang Kuo-Shih		V	V		V	V	V	V	V	V	V	V	V	V	V	V	V	3

Description: A “✓” is placed in the box if the director (or independent director) met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not an employee of the Company or any of its affiliated enterprises.
- (2) Not a director or supervisor of an affiliated enterprises of the Company. (However, this restriction does not apply in cases where the person is an independent director of the Company, its parent or subsidiary or a subsidiary of the same parent established in pursuant to this law or 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 1% or more of the total number of issued shares of the Company or ranking within the top 10 in holdings.

- (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 of Article 27 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor, or employee, holding a majority of the Company's director seats or voting shares and those of any other company controlled by the same person. (The same does not apply, however, in cases where the person is an independent director of the Company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) Not the same person as the Company's director, general manager, or person of an equivalent post or of a specified company or institution's director, supervisor, or officer (the same does not apply, however, in cases where the person is an independent director of the Company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company. (The same does not apply, however, to certain companies or institutions holding more than 20%, but no more than 50%, of the total issued shares of the Company, and to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or any associate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any associate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500 thousand, or a spouse thereof. This restriction does not apply to a member of the salary and remuneration committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Not under any circumstances as stipulated in Article 30 of the Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of the Company Act.

Note:

1. The Company's board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairman Ho Jau-Yang no longer served as the Company's president.
2. Innolux Corporation and its representative Chao-Hsien resigned on May 6, 2020; Beyondpv Co., Ltd. appointed a new representative Chen Chi Wen on June 22, 2020; the original representative Ye Wei-Ping was relieved of his post.
3. Independent director Chen Yen-Sung resigned on March 17, 2020.

## (II) Information on presidents, vice presidents, assistant managers, supervisors of all departments and branches:

Closing date: March 2, 2021 ; Unit: Shares

Title	Nationality	Name	Gender	Date Elected	Shareholding		Shares Held by Spouse and Underage Children		Shares Held in the Name of Others		Main (Academic) Experience	Current Concurrent Positions in Other Companies	Managerial Officers Who are Spouses or Relatives of Second Degree or Closer			Managerial Officers Holding Employee Share Subscription Warrants	Remark
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship		
Chairman and president	Republic of China	Ho Jau-Yang	Male	2011-11-25	4,865,313	0.73%	859,548	0.13%	0	0%	Bachelor's degree, Department of Chemical Engineering, National Cheng Kung University President, Chi Mei Corporation Vice chairperson, Chi Mei Optoelectronics Corporation	(1) Director, CMVT (2) Director, Hengmei (3) Executive Director, Ningbo CMMT (4) Executive Director, CMMT (5) Chairperson, Cheng Hui Investment Co., Ltd. (6) Chairperson, Cheng Hui Trading Co., Ltd. (7) Executive Director, CMMT (Samoa)	Associate Vice President	Ho Yu-Lin	Father-Son	None	See Note 1 for details
President	Republic of China	Lo Lai-Huang	Male	2020/11/6	1,285,126	0.19%	0	0%	0	0%	Master of Business Administration, the University of Manchester, UK President Assistant, Cheng Mei Materials Technology Co. Acting President, CMMT Acting President, Kunshan CMMT Independent director, CMMT President, Anderson Group Vice President of Operations, Pilot Electronics Corporation Vice President and CFO, E-Ton Solar Tech Co., Ltd. Executive Director, BNP Paribas Taipei Branch Executive Director, Bank of America Taipei Branch	(1) Director, Hengmei (2) President, Ningbo CMMT	None	None	None	None	See Note 1 for details
Executive Vice President, Chief Finance and Accounting Officer and Chief Corporate Governance Officer	Republic of China	Lien Wei-Chung	Male	2018-03-19	1,038,234	0.16%	0	0%	0	0%	Bachelor's Degree, Department of Business Administration, National Central University CFO, ELTA Technology Vice President of Finance, Admiral Oversea Corporation Economic Cooperation Vice President, Cheng Uei Precision Industry Co., Ltd.	(1) Supervisor, Hengmei (2) Supervisor, Ningbo CMMT (3) Supervisor, CMVT	None	None	None	None	See Note 2 for details
Vice President	Republic of China	Wang Chien-Chih	Male	2017-11-02	82,456	0.01%	1,000	0%	0	0%	National Taiwan University of Science and Technology Bachelor's Degree, Department of Chemical Engineering Senior Special Assistant, Chi Mei Corporation	-	None	None	None	None	
Vice President and CFO	Republic of China	Chen Wen-Chin	Male	2019-07-12	24,372	0%	0	0%	0	0%	Graduate Institute of Accountancy, National Cheng Kung University President, Codent International Healthcare Co., Ltd. Chief Investment Officer Coretronic Corporation Assistant Manager, Chihsin Electronics Co., Ltd. Vice President, Chi Mei Lighting Technology Corporation	Chairperson, Codent International Healthcare Co., Ltd.	None	None	None	None	See Note 2 for details
Associate Vice President	Republic of China	Hung Yu-Li	Male	2019-07-12	238,681	0.04%	3,300	0.00%	0	0%	Department of Industrial Engineering and Management, National Kaohsiung University of Science and Technology Independent director, CMMT Manager of Manufacturing Department, BenQ Materials Corporation Manager of Manufacturing Department, Taiwan Crystal Superior Technology Co., Ltd. Business Director, Gallant Ocean International, Inc. (Vietnam)	-	None	None	None	None	
Associate Vice President	Republic of China	Sheng Hai-Tien	Male	2021-01-01	870,540	0.13%	0	0.00%	0	0%	Executives Program, Department of Account, Chengchi University Senior Director, CMMT Director, Anderson Group CFO, Strategy Director, Anderson Group President, KPMG	(1) Director, CMVT (2) Vice President, Ningbo CMMT	None	None	None	None	See Note 3 for details
Associate Vice President	Republic of China	Ho Yu-Lin	Male	2021-01-01	1,018,966	0.15%	812,436	0.12%	0	0%	Department of Civil Engineering, I-Shou University President, Ningbo CMMT Senior Director, CMMT Vice president, Kunshan CMMT Vice President, CMMT Manager, Chi Mei Lighting Technology Corporation Section Chief, Chi Mei Optoelectronics Corporation	Vice President, Ningbo CMMT	Chairperson and president	Ho Jau-Yang	Father-Son	None	See Note 1.3 for details
Chief Accounting Officer	Republic of China	Hsu Shih-En	Female	2019-07-12	0	0%	0	0%	0	0%	Manager, Accounting Department, CMMT Section Chief of Financial Division, Science Park Logistics Co., Ltd. Deputy Project Manager, Innolux Corporation	-	None	None	None	None	See Note 2 for details

Note:

1. The Company's board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairperson Ho Jau-Yang no longer served as the Company's president.
2. On February 20, 2020, Hsu Shih-En resigned as chief accounting officer; on March 18, 2020, it was resolved by the board of directors to appoint vice executive president Lien Wei-Chung as the chief accounting officer; on April 1, 2020, due to the Company's internal restructuring, the vice president Chen Wen-Chin was relieved of the post of chief financial officer and was appointed as a special assistant for the president's office; on May 7, 2020, it was resolved by the board of directors to appoint vice executive president Lien Wei-Chung as the chief financial officer.
3. On the board meeting held on December 18, 2020, the following matters were resolved:
  - (1) Sheng Hai-Tien was appointed as the assistant manager of the Operations and Management Center, effective from January 1, 2021.
  - (1) Sheng Hai-Tien was appointed as the assistant manager of the Business Center, effective from January 1, 2021.

(III) If the chairperson of the board of directors is the same person as the president or the equivalent position, or if they are spouses or relatives of one another, they shall state the reasons, rationality, necessity, and measures to address the situation:

The Company's board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairman Ho Jau-Yang no longer served as the Company's president. It is therefore not applicable.

### III. Remuneration paid to directors (including independent directors), presidents and vice presidents during the most recent fiscal year:

#### (I) Remuneration paid to directors (including independent directors), presidents and vice presidents

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

Date: December 31, 2020; Unit: NT\$ thousand

Title	Name	Remuneration to Directors										Remuneration as Company employees								The sum of A, B, C, D, E, F, and G as a percentage of net loss (Note 10)	Remuneration from investees other than subsidiaries (Note 11)	
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Fees for services rendered (D) (Note 4)		The sum of A, B, C and D as a percentage of net loss (Note 10)		Salaries, bonuses, special allowances, etc. (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company	All companies included in the financial reports (Note 7)	The Company		All companies included in the financial reports (Note 7)				The Company
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairman	Ho Jau-Yang	1,569	1,569	0	0	0	0	193	193	-2.06%	-2.06%	8,717	8,717	0	0	0	0	0	0	-12.25%	-12.25%	Yes
Corporate Director	Innolux Corporation (Note 12)	310	310	0	0	0	0	15	15	-0.38%	-0.38%	0	0	0	0	0	0	0	0	-0.38%	-0.38%	None
	Liu Chao-Hsien (Note 12)	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Corporate Director	Beyondpv Co., Ltd.	1,392	1,392	0	0	0	0	0	0	-1.63%	-1.63%	0	0	0	0	0	0	0	0	-1.63%	-1.63%	None
	Representative: Ye Wei-Ping (Note 12)	0	0	0	0	0	0	78	78	-0.09%	-0.09%	0	0	0	0	0	0	0	0	-0.09%	-0.09%	None
Corporate Director	Beyondpv Co., Ltd.	1,392	1,392	0	0	0	0	0	0	-1.63%	-1.63%	0	0	0	0	0	0	0	0	-1.63%	-1.63%	None
	Representative: Chen Chi-Wen (Note 12)	0	0	0	0	0	0	36	36	-0.04%	-0.04%	0	0	0	0	0	0	0	0	-0.04%	-0.04%	None
Corporate Director	Beyondpv Co., Ltd.	1,392	1,392	0	0	0	0	0	0	-1.63%	-1.63%	0	0	0	0	0	0	0	0	-1.63%	-1.63%	None
	Lu Wei-Lun	0	0	0	0	0	0	50	50	-0.06%	-0.06%	0	0	0	0	0	0	0	0	-0.06%	-0.06%	None
Independent Director	Liu Wei-Ting	1,400	1,400	0	0	0	0	72	72	-1.72%	-1.72%	0	0	0	0	0	0	0	0	-1.72%	-1.72%	None
Independent Director	Chen Yen-Sung (Note 13)	426	426	0	0	0	0	13	13	-0.51%	-0.51%	0	0	0	0	0	0	0	0	-0.51%	-0.51%	None
Independent Director	Huang Kuo-Shih	1,400	1,400	0	0	0	0	82	82	-1.73%	-1.73%	0	0	0	0	0	0	0	0	-1.73%	-1.73%	None

\* Remuneration received by directors for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

##### 2. Remuneration bracket table for directors (including independent directors)

Date: December 31, 2020

	Name of director			
	Total remuneration of the preceding four items (A+B+C+D)		Total remuneration of the preceding seven items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial reports (Note 9) H	The Company (Note 8)	All companies included in the financial reports (Note 9) I
Below \$1,000,000	Innolux Corporation, Liu Chao-Hsien, Yeh Wei-Ping, Chen Chi-Wen, Lu Wei-Lun, Chen Yen-Sung		Innolux Corporation, Liu Chao-Hsien, Ye Wei-Ping, Chen Chi-Wen, Lu Wei-Lun, Chen Yen-Sung	
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	Ho Jau-Yang, Beyondpv Co., Ltd., Liu Wei-Ting, Huang Kuo-Shih		Beyondpv Co., Ltd., Liu Wei-Ting, Huang Kuo-Shih	
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	None		None	
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	None		None	
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	None		None	
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	None		Ho Jau-Yang	
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	None		None	
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	None		None	
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	None		None	
NT\$100,000,000 or more	None		None	
Total	10		10	

Note 1: Directors' names are presented separately (for juristic-person shareholders, the names of the juristic-person shareholders and their representatives are stated separately), and general directors and independent directors are presented separately, the amount of benefits and allowances disclosed in aggregate sums.

Note 2: Refers to remuneration to directors in the most recent fiscal year (including salaries, allowances, severance pay, various bonuses and incentives, etc.).

Note 3: Refers to the amount of directors' remuneration that the board of directors has approved for allocation in the most recent fiscal year.

Note 4: Refers to remuneration to directors for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles and in-kind benefits that the director received in the most recent fiscal year for assuming the role of a company employee (such as a president, vice president, managerial

officer or other employee). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 "Share-based Payment". Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 6: Refers to any remuneration that the director has received (in cash or in shares) in the last year for assuming the role of an employee (such as president, vice president, managerial officer or other employees). The amount of employee remuneration approved by the board of directors in the most recent fiscal year has been disclosed. Where the amount could not be estimated, the proportion of the actual amount allocated in the previous year is used as the basis for calculating the proposed amount allocated this year, and Table 1-3 shall also be filled in.

Note 7: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents the total amount of remuneration paid by all companies above to the Company's directors.

Note 8: For the amount of remuneration paid by the Company to each director, the names of the directors are disclosed in the range they fall within.

Note 9: For the remuneration paid by the all companies (including the Company) to each director disclosed in the consolidated financial statements, the names of the directors are disclosed in the range they fall within.

Note 10: Net income refers to the net income in the parent company only financial reports or individual financial reports of the most recent fiscal year.

Note 11: a. This field represents all forms of remuneration that directors received from the Company's invested businesses other than subsidiaries (if none, please fill in "none").

b. For directors who received remuneration from invested businesses other than subsidiaries, the amounts of remuneration received from these invested businesses have been added to column I of the remuneration brackets table, and column I will be renamed "parent company and all invested businesses". c.

Remuneration refers to any returns, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees which the Company's directors received for serving as director, supervisor or managerial officer in invested businesses other than subsidiaries.

Note 12: Innolux Corporation and its representative Liu Chao-Hsien resigned on May 6, 2020; Beyondpv Co., Ltd. appointed a new representative Chen Chi-Wen on June 22, 2020; the original representative Ye Wei-Ping was relieved of his post.

Note 13: Independent director Chen Yen-Sung resigned on March 17, 2020.

\* The basis of remuneration disclosed above is different from the income basis of the Income Tax Act; hence the above table has been prepared solely for information disclosure, and not for tax purpose.

### 3. Remuneration to Presidents and Vice Presidents

Date: December 31, 2020; Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of net loss (%) (Note 8)		Remuneration from investees other than subsidiaries (Note 9)
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company		All companies included in the financial reports (Note 5)		The Company	All companies included in the financial reports (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
Director and President	Ho Jau-Yang (Note 11)	11,814	11,814	261	261	11,529	11,529	0	0	0	0	-27.59%	-27.59%	None
President	Lo Lai-Huang (Note 11)													
Vice President	Wang Chien-Chih													
Vice President	Lien Wei-Chung													
Vice President	Chen Wen-Chin (Note 12)													

### Range of Remuneration to Presidents and Vice Presidents

Date: December 31, 2020

Range of remuneration to the Company's presidents and vice presidents	Name of the president and vice president	
	The Company (Note 6)	All companies included in the financial reports (Note 7) E
Below \$1,000,000	Lo Lai-Huang	Lo Lai-Huang
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	Chen Wen-Chin	Chen Wen-Chin
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Ho Jau-Yang, Wang Chien-Chih, Lien Wei-Chung	Ho Jau-Yang, Wang Chien-Chih, Lien Wei-Chung
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	None	None
NT\$100,000,000 or more	None	None
Total	5	5

Note 1: The names of the presidents and vice presidents are required to be presented separately; the amount of payments made may be presented in aggregate sums.

Note 2: Refers to salaries, allowances, and severance pay made to the presidents and vice presidents in the most recent fiscal year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the presidents and vice presidents in the most recent fiscal year. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 "Share-based Payment". Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 4: Represents the amount of employee remuneration provided for the presidents and vice presidents (in cash or in shares) which the board of directors has approved in the most recent fiscal year. Where the amount could not be estimated, the proportion of the actual amount allocated in the previous year is used as the basis for calculating the proposed amount allocated this year, and Table 1-3 shall also be filled in.

Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents the total amount of remuneration paid by all companies above to the Company's presidents and vice presidents.

Note 6: For the remuneration paid by the Company to each president and vice president disclosed in the consolidated financial statements, the names of the presidents and vice presidents are disclosed in the range they fall within.

Note 7: For the remuneration paid by the all companies (including the Company) to each president and vice president disclosed in the consolidated financial statements, the names of the presidents and vice presidents are disclosed in the range they fall within.

Note 8: Net income refers to the net income in the parent company only financial reports or individual financial reports of the most recent fiscal year.

Note 9: a. This field represents all forms of remuneration that the presidents and vice presidents received from the Company's invested businesses other than subsidiaries (if none, please fill in "none").

b. For presidents and vice presidents who received remuneration from invested businesses other than subsidiaries, the amounts of remuneration from these invested businesses have been added to column E of the remuneration brackets table, and Column E will be renamed "parent company and all invested businesses". c. Remuneration refers to any returns, remuneration (including remunerations received as an employee, director and supervisor) and professional service fees which the Company's presidents and vice presidents received for serving as director, supervisor, or managerial officer in invested businesses other than subsidiaries.

Note 10: The final accounts of the Company are reported as individual net loss after tax: NT\$85,555,053

Note 11: The Company's board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairperson Ho Jau-Yang no longer served as the Company's president.

Note 12: On April 1, 2020, due to the Company's internal restructuring, vice president Chen Wen-Chin was relieved of the post of chief financial officer and was appointed as a special assistant for the president's office.

**Top 5 executives with the highest remuneration: (names and remuneration method are disclosed individually) (Note 1)**

Date: December 31, 2020; Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses, special allowances, etc. (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of net loss (%) (Note 6)		Remuneration from investees other than subsidiaries (Note 7)
		The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company	All companies included in the financial reports (Note 5)	The Company		All companies included in the financial reports (Note 5)		The Company	All companies included in the financial reports	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman and President	Ho Jau-Yang	4,415	4,415	0	0	4,302	4,302	0	0	0	0	-10.19%	-10.19%	None
Vice President	Lien Wei-Chung	3,894	3,894	108	108	3,604	3,604	0	0	0	0	-8.89%	-8.89%	None
Vice President	Wang Chien-Chih	2,290	2,290	108	108	2,782	2,782	0	0	0	0	-6.05%	-6.05%	None
Associate vice president	Hung Yu-Li	1,845	1,845	0	0	2,737	2,737	0	0	0	0	-5.36%	-5.36%	None
President	Lo Lai-Huang	356	356	9	9	476	476	0	0	0	0	-0.98%	-0.98%	None

Note 1: The executives in the so-called "top 5 executives with the highest remuneration" refer to managerial officers of the Company. The criteria for the determination of managerial managers are in accordance with the scope of "managerial officers" as stipulated in the Order Letter Tai-Cai-Zheng(3) 0920001301 dated March 27, 2003 issued by the former Securities and Futures Commission, Ministry of Finance. The determination for the calculation of the "top 5 executives with the highest remuneration" is based on the total amount of salaries, pensions, bonuses and special allowances received by the managerial officers from all companies included in the consolidated financial statements, as well as the amount of remuneration to employees (the total of A+B+C+D), and then ranked by the highest paid executives.

Note 2: Refers to salaries, allowances, and severance pay made to the top 5 executives with the highest remuneration in the most recent fiscal year.

Note 3: Refers to other remuneration such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits paid to the top 5 executives in the most recent fiscal year. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol and other subsidies are also disclosed. Where personal drivers were allocated, please make a footnote explaining the amount of salaries made to drivers, but do not count them as part of the remuneration paid to the above benefits. Part of the salary expense was recognized according to IFRS2 "Share-based Payment". Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 4: Represents the amount of employee remuneration provided for the top 5 executives with the highest remuneration (in cash or in shares) which the board of directors has approved in the most recent fiscal year. Where the amount could not be estimated, the proportion of the actual amount allocated in the previous year is used as the basis for calculating the proposed amount allocated this year, and Table 1-3 shall also be filled in.

Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents the total amount of remuneration paid by all companies above to the Company's top 5 executives with the highest remuneration.

Note 6: Net income refers to the net income in the parent company only financial reports or individual financial reports of the most recent fiscal year.

Note 7: a. This field represents all forms of remuneration that the top 5 executives with the highest remuneration received from the Company's invested businesses other than subsidiaries (if none, please fill in "none").

5. Names of managerial officers and distribution of employee remuneration in the most recent fiscal year: Not applicable as there was loss before tax in 2020; therefore remuneration to employees and directors/supervisors was not allocated.

(II) Analysis of amount of remuneration paid in the most recent 2 fiscal years by the Company and all companies included in the consolidated financial statements to the Company's directors (including independent directors), presidents, and vice presidents, and their respective proportions to net income after tax, description of remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. The independent directors of the Company are paid in accordance with the amended "Remuneration Criteria for Directors" passed by the board of directors on May 13, 2019.

The rates of increase in the total amount of remuneration paid to directors by the Company in the past two years (2019-2020) are as follows:

Not applicable as there was loss before tax in 2019 and 2020; therefore distribution of remuneration and earnings to directors and employees was not allocated.

The Company's remuneration payment policy for directors and employees are in proportion to the actual profitability of the Company and the Articles of Incorporation. As for presidents and vice presidents, the Company takes into account their positions, duties, results of work and contributions to the Company's operations. The Company also takes reference from industry standards and gives different degrees of remuneration accordingly. The remuneration payment policy is relatively reasonable.

2. The policy, criteria and composition of remuneration to directors, presidents and vice president of the Company, the level of remuneration set and the relevance of operational performance:

Remuneration to the Company's directors are set out as stipulated in the Articles of Incorporation based on directors' participation in the Company's operations and values of contribution, while also taking into account of industry standards. Where there is net profit in the Company's final accounts for the year, after making up for losses, setting aside legal reserve or special reserve, distributing preferred stock dividends and distributing remuneration to employees, depending on the status of the industry environment and capital needs, the board of directors shall prepare a proposal for earnings distribution, including remuneration to directors. Such remuneration shall be distributed after approval by the shareholders' meeting. In 2020, the Company suffered a net loss of NT\$85,555,053, after being approved by the audit committee and board of directors' meeting held on March 12, 2021, there will be no distribution of remuneration to directors, employees, or earnings distribution this year. Such matter will be submitted to the annual general meeting.

Remuneration to presidents and vice presidents, including salaries, bonuses, special allowances, employee remuneration, employee stock options and new restricted employee shares is determined with reference to the nature of their jobs, duties and the positions they hold and responsibilities they bear, while also taking reference from the same industry for similar positions.

3. Relevance of future risks:

In responding to future changes in the economic environment and the consideration of the operational performance, achievement rate, and level of contribution, the Company's remuneration policy includes future risks as an evaluation criteria.

IV. The state of corporate governance:

(I) The state of operations of the board of directors and shareholders' meeting:

- (1) A by-election for directors was held on the special meeting of shareholders held on April 26, 2019; the term of office for directors runs from April 26, 2019 to April 25, 2022.
- (2) The Company adopts a “candidate nomination system” for the election of directors. All candidates for the election of directors must be nominated and their qualifications reviewed by the board of directors and then submitted to the shareholders’ meeting. According to “Corporate Governance Best-Practice Principles”, the composition of the board of directors must take consideration of diversity, and formulate appropriate diverse guidelines based on its operation, business model and development needs, which include 8 indicators: management, Technology R&D, international, Sales marketing, accounting finance, legal, supervisor, and ESG focus. Business related experience and expertise of directors of the company compose above 8 indicators. 60% of them reach 4 indicators, 40% of them reach 3 indicators. The percentage of directors who also serve as employees of the Company is 0%; the percentage of independent directors is 40%. 3 directors are aged between 40 and 50; 1 is aged between 50 and 60; and 1 is aged between 70 and 75.
- (3) From 2020 up to the date of publication of the annual report, the board of directors held a total of 13 meetings (A: 10 meetings in 2020 and 3 in 2021 up to the date of publication of the annual report). The attendance of directors and presidents is as follows:

Title	Name (Note 1)	Actual Attendance (B)	Proxy Attendance	Percentage of actual attendance (%) [B/A] (Note 2)	Remark
Chairman	Ho Jau-Yang	13	0	100	
Director	Representative of Innolux Corporation: Liu Chao-Hsien	2	0	100	Resigned on May 6, 2020. (a number of 2 meetings shall be attended)
Director	Representative of Beyondpv Co., Ltd.: Ye Wei-Ping	2	1	66.67	Relieved of post after the appointment of representative on June 22, 2020. (a number of 3 meetings shall be attended)
Director	Representative of Beyondpv Co., Ltd.: Lu Wei-Lun	13	0	100	
Director	Representative of Beyondpv Co., Ltd.: Chen Chi-Wen	10	0	100	Assumed duty after the appointment of representative on June 22, 2020. (a number of 10 meetings shall be attended)
Independent Director	Liu Wei-Ting	12	1	92.3	
Independent Director	Chen Yen-Sung	1	0	100	Resigned on March 17, 2020. (a number of 1

					meeting shall be attended)
Independent Director	Huang Kuo-Shih	13	0	100	
President	Ho Jau-Yang	8	0	100	Relieved of post as the president on November 6, 2020. (a number of 8 meetings shall be attended)
President	Lo Lai-Huang	5	0	100	Took office as the president on November 6, 2020. (a number of 5 meetings shall be attended)

Other information required:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions:

1. Matters listed in Article 14-3 of the Securities and Exchange Act: During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the Company held a total of 13 board meetings. Contents of the resolutions are as set out on pages 48-52 of the annual report, and matters listed in Article 14-3 were approved by all independent directors without dissenting opinions.
2. Any other documented objections or qualified opinions raised by independent directors against board resolutions in relation to matters other than those described above: Please refer to pages 48-52 of the annual report.

II. For the implementation and state of directors' recusal for conflicts of interests, the directors' name, topic discussed, reasons for the required recusal, and participation in the voting process.

Date of Board Meeting	Name of director	Motion Content	Reason for Recusal Due to Conflict of Interest	Participation in the voting process
2020-08-10 7th term - 15th meeting	Chairman Ho Jau-Yang	Motion 6: Motion for passing bonuses for insiders.	As the chairperson Ho Jau-Yang was a stakeholder in this motion, he temporarily recused himself due to conflict of interest.	Did not participate in voting
2020/11/6 7th term - 19th meeting	Chairman Ho Jau-Yang	Motion 4: Motion for the appointment of the Company's presidents. Motion 5: Motion for remuneration to the Company's chairperson.	As the chairperson Ho Jau-Yang was a stakeholder in this motion, he temporarily recused himself due to conflict of interest.	Did not participate in voting
2020-12-18 7th term-20th meeting	Chairman Ho Jau-Yang	Motion 16: Motion for the appointment of insiders. Motion 17: Motion for the review and adjustment of remuneration to the Company's insiders. Motion 18: Motion F	As the chairperson Ho Jau-Yang was a stakeholder in this motion, he temporarily recused himself due to conflict of interest.	Did not participate in voting

III. TWSE/TPEX Listed Companies should disclose information including the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self (or peer) evaluation and the following evaluation table for the evaluation of the board of directors shall be filled in.

IV. Measures the objectives to strengthen the functionality of the board of directors (e.g., establish an audit

committee, enhance information transparency) and execution status in the current year and the most recent year.

1. In order to comply with the spirit of corporate governance, the Company established an audit committee on October 8, 2010. The Company exercises the functions prescribed in the Securities and Exchange Act, the Company Act and other laws and regulations. For the state of the audit committee please refer to page 20-24 of the annual report.
2. The Company established a remuneration committee on April 26, 2011. The committee assists the board of directors and regularly evaluates and sets the remuneration to directors and managerial officers, while also reviewing the policy, system, criteria and structure of remuneration to directors and managerial officers. For the state of the remuneration committee, please refer to page 35 of the annual report.
3. Other than professional competency each year, members of the board continue to select courses covering topics associated with corporate governance including finance, risk management, business, commerce, legal affairs, accounting, and CSR, or courses associated with internal control system and financial reporting responsibilities to improve the awareness and implementation of corporate governance. For members of the board's continuing education and annual self-review, please refer to pages 34 of the annual report.

(3) Evaluation of the board of directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	Evaluated and self-reviewed the performance of the board of directors and the directors from January 1, 2020 to December 31, 2020.	Performance evaluation of the of the board of directors, individual board members and functional committee	Internal self-review of the board, self-assessment of board members	(1) Performance evaluation of the board: Should include participation in the operation of the Company; improvement of the quality of the board of directors' decision making; composition and structure of the board of directors; election and continuing education of the directors; and internal control. (2) Performance evaluation of the board members: alignment of the goals and missions of the Company; awareness of the duties of a director; participation in the operation of the Company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control. (3) Performance evaluation of the functional committee: participation in the operation of the Company; awareness of the duties of the functional committee quality of decisions made by the functional committee; makeup of the functional committee and election of its members and internal control.

According to the Company's "Regulations Governing the Board Performance Evaluation", performance evaluations of the board, each board member and the functional committee are performed prior to the beginning of Q1 each year. The 2020 evaluation result and improvement status has been reported to the board of directors' meeting held on March 12, 2021.

(II) The state of the audit committee:

1. The Company's audit committee consists of 2 members.

2. Term of office of the current members:

The Company's 5th audit committee members run from April 26 2019 to April 25, 2022.

3. During the most recent year, a total of 13 audit committee meetings were held (A: 10 meetings in 2020 and 3 in

2021 up to the date of publication of the annual report). The attendance of independent directors as is as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A) (Note)	Remark
Independent Director	Liu Wei- Ting	12	1	92.3	
Independent Director	Chen Yen- Sung	1	0	100	Resigned on March 17, 2020. (a number of 1 meeting shall be attended)
Independent Director	Huang Kuo- Shih	13	0	100	

Other information required:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and meeting of board of directors meeting held, the discussed topics, the audit committee's resolution, and how the Company has responded to audit committee's opinions:

1. Matters listed in Article 14-5 of the Securities and Exchange Act: During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the Company held a total of 13 audit committee meetings. Resolutions are as follows, and matters listed in Article 14-5 were approved by all independent directors without dissenting opinions.
2. Other than those described above, any resolutions not approved by the audit committee but passed by more than two-thirds of directors: None.

II. For the implementation and state of independent directors' recusal for conflicts of interests, the independent directors' name, topic discussed, reasons for the required recusal, and participation in the voting process: None.

III. State of communication between independent directors, chief internal auditor and CPA (such as significant items, methods and results of communications on the Company's finances and business status):

- (1) Prepare a "Summary of Audit Report" each month and submit it to each audit committee member for review along with a copy of the audit report.
- (2) After members of the audit committee have read the copy of the audit report and have a question or instruction, they will call the chief internal auditor for inquiries or instructions.
- (3) 3 months after each audit report has been submitted, internal control deficiencies and irregularities must be followed up for improvement and the results compiled and submitted to each member of the audit committee.
- (4) The chief internal auditor must attend the audit committee meeting to report audit matters as required by the regulations.
- (5) There are multiple smooth communication channels for the Company's chief internal auditor and audit committee.
- (6) Each year, the Company's CPAs report the audit result of the financial statements for the year at the audit committee and board meetings to review the annual financial statements, as well as to discuss matters as required by other applicable laws and regulations. The Company's audit committee members have sound communication with the CPAs.
- (7) In summary, independent directors can get hold of the Company's operating conditions (including its financial and business conditions) and audit results through the audit report provided periodically by the board and audit committee as well as the audit unit. They can also engage in communication with the accountants through various reports and channels (e.g., telephones, email).

A summary of the communication between the independent directors and the chief internal auditor for 2020 is as follows:

Date	Communication Matters	Communication Result
2020-03-31	Matters associated with the investment registration fee of the foreign investment	Independent director Liu Wei-Ting asked whether an external lawyer or accountant was required,

	company “Kunshan Xinmao Feng International Trading Co., Ltd.”.	and requested to provide an expected process schedule and time, and which unit that was to oversee the matter.
109-04-29	The Company’s questions associated with endorsements/guarantees of Kunshan CMMT.	Independent director Huang Kuo-Shih instructed that relevant subsequent follow-up information should be included Monthly audit report.
2020-07-17	Matters associated with non-payment of technology license fees of the Company’s investment company “Kunshan CMMT”.	Process of handling abnormal matters should be included in the monthly audit report.

4. Material resolutions of an audit committee meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report are as follows:

<b>Audit Committee Meeting Date</b>	<b>Motion Content</b>	<b>Resolution Result</b>	<b>How the Company has Responded to Audit Committee’s Opinions:</b>
2020-01-31	<ol style="list-style-type: none"> <li>1. Motion for the Company’s application for extension of debt negotiation.</li> <li>2. The Company’s independent expert opinion of the loss of control over Kunshan CMMT.</li> <li>3. Motion to pursue endorsements/guarantees made by the Company on behalf of the investment company “Kunshan CMMT”.</li> <li>4. Motion to pursue the Company’s investment company, capital increase Kunshan CMMT to introduce a new investor, Hefei Beicheng II Optoelectronics Industry Investment Partnership (limited partnership) for capital increase.</li> </ol>	Approved by all members of the committee	Submitted to the board for approval Legal representative of Innolux Corporation Liu Chao-Hsien: (Motion 3, Motion 4) Objected Independent director Chen Yen-Sung abstained: (Motion 4) The Company stated the opinion of an external lawyer regarding the validation on the resolution made by the board of directors on November 27, 2019. If it was resolved to be valid, there was no need for the board to pursue, therefore, the motion was abstained.
2020-03-18	<ol style="list-style-type: none"> <li>1. Motion for the election of the chair of the audit committee for the current term.</li> <li>2. Motion for the appointment of the chief accounting officer.</li> <li>3. Motion for the 2019 business report and financial statements.</li> <li>4. Motion for 2019 profit and loss appropriation.</li> <li>5. Motion for the intention to not proceed with the issuance of common stock by public offering or private placement, or the issuance of new shares to participate in global depositary receipts, or the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds).</li> <li>6. Motion for the issuance of common stock, or the issuance of new shares to participate in global depositary receipts, the issuance of common stock by private placement, or</li> </ol>	Approved by all members of the committee	Submitted to the board for approval Legal representative of Beyondpv Co., Ltd. Ye Wei-Ping: (Motion 3) Abstained

	<p>the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds).</p> <p>7. Motion for amendments to “Operating Procedures for Loaning Funds to Others”.</p> <p>8. Motion for amendments to “Operating Procedures for Endorsements/Guarantees”.</p> <p>9. Motion for the intention to apply for credit lines from various banks and leasing companies.</p> <p>10. Motion for the 2019 the “Effective Inspection of the Internal Control System” and the “Declaration of Internal Control”.</p> <p>11. Motion for amendments to the “Audit Committee Charter”.</p>		
2020-05-07	<p>1. Motion for the Company’s consolidated financial statements for 2020 Q1.</p> <p>2. Provided a loan of RMB93,453 thousand and US\$3 thousand to the related party - Kunshan CMMT, through the Company.</p> <p>3. Provided a loan of RMB40,015 thousand to the related party - Kunshan CMMT. through the Company’s subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd.</p> <p>4. Passed the motion for loaning funds for the subsidiary CMVT.</p> <p>5. Improvement plan for the limit of loaning of funds.</p> <p>6. Motion to pursue the termination of the endorsement/guarantee of Cheng Hui Trading Co., Ltd.</p> <p>7. Motion for the intention to apply for credit lines from various banks.</p> <p>8. Motion for the change of the chief financial officer.</p> <p>9. Motion for the intention to carry out capital reduction to make up for losses and cash capital increase of the subsidiary CMVT.</p> <p>10. Motion for evaluation of independence and appropriateness of the Company’s CPAs</p>	Approved by all members of the committee	Submitted to the board of directors subject to approval of all directors present
2020-07-13	<p>1. Motion for the participation in the first cash capital increase in 2020 for the subsidiary CMVT.</p>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-08-10	<p>1. Passed the motion for the Company’s consolidated financial statements for 2020 Q2.</p> <p>2. Motion for amendments to the “internal control system”.</p> <p>3. Matters pending resolution by the board of directors for the invested company Kunshan CMMT.</p> <p>4. Amendments to the corrective plan for Kunshan CMMT regarding the limit of endorsements/guarantees.</p>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-08-26	<p>1. Motion for the intention to carry out the second capital reduction to make up for losses and cash capital increase of the subsidiary CMVT in 2020.</p>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-09-04	<p>1. Motion for the intention to apply for credit lines from various banks.</p>	Approved by all members of the	Submitted to the board of directors

		committee	Subject to approval of all directors present
2020-09-30	<ol style="list-style-type: none"> <li>1. Matters pending resolution related to the “Stock System Reform” of the invested company Kunshan CMMT.</li> <li>2. Motion for the offset of monetary debts for the subsidiary Cheng Hui Investment Co., Ltd.</li> <li>3. Motion for the offset of monetary debts for the subsidiary Cheng Hui Trading Co., Ltd.</li> <li>4. Motion for the intention to apply for credit lines from various banks and leasing companies.</li> </ol>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-11-06	<ol style="list-style-type: none"> <li>1. Passed the motion for the Company’s consolidated financial statements for 2020 Q3.</li> <li>2. Motion for the establishment of the Operating Procedures for Loaning Funds to Others for the wholly-owned sub-subsidiary “Mao Fong Group Co., Ltd.”.</li> <li>3. Motion for loaning funds to the Company from the wholly-owned sub-subsidiary “Mao Fong Group Co., Ltd.”.</li> </ol>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-12-18	<ol style="list-style-type: none"> <li>1. Passed motion for the “Organizational Chart Change”.</li> <li>2. Matters pending to be resolved by the 2020 4th meeting of the board of directors for Kunshan CMMT.</li> <li>3. Amendments to the corrective plan for Kunshan CMMT regarding the limit of endorsements/guarantees.</li> <li>4. Motion for the Company’s application for extension of debt negotiation.</li> <li>5. Motion to pursue the application for credit lines from leasing companies.</li> <li>6. Passed the motion for the “2021 audit plan”.</li> <li>7. Motion for amendments to the “internal control system” and “Authorization Chart”.</li> <li>8. Motion for amendments to the “Audit Committee Charter”.</li> </ol>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2021-01-29	<ol style="list-style-type: none"> <li>1. Motion for the intention to not proceed with “issuance of common stock by public offering or private placement, or the issuance of new shares to participate in global depositary receipts, or the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds)”.</li> <li>2. Motion for the intention to pass the acquisition of equity interest of ShenzhenSAPO Photoelectric Co., Ltd. of the Company’s investment company Hengmei and related transactions, while authorizing the chairperson of Hengmei to sign related agreements.</li> <li>3. Motion for the intention to pass the matters pending resolution for the Company’s investment Hengmei.</li> <li>4. Motion to pursue the application for credit lines from various banks.</li> </ol>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present

2021-02-02	1. Resolution of amendments to Motion 5 for “the intention to pass the acquisition of equity interest of ShenzhenSAPO Photoelectric Co., Ltd. of the Company’s investment company Hengmei and related transactions, while authorizing the chairperson of Hengmei to sign related agreements” on the 21st board meeting of the 7th board held on January 29, 2021.	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2021-03-12	<ol style="list-style-type: none"> <li>1. Motion for the 2020 business report and financial statements.</li> <li>2. Motion for 2020 profit and loss appropriation.</li> <li>3. Motion for amendments to the “Procedures for Acquisition or Disposal of Assets”.</li> <li>4. Motion for amendments to the “Procedure for Transactions between Enterprise Groups, Specified Companies and Related Parties”.</li> <li>5. Motion for the issuance of new restricted employee shares.</li> <li>6. Motion for the termination of the trade financing line of RMB300 million for providing endorsements/guarantees to “Hengmei”.</li> <li>7. Motion for the intention to pass the matters pending resolution for the Company’s investment Hengmei for discussion.</li> <li>8. Motion for the 2020 the “Effective Inspection of the Internal Control System” and the “Declaration of Internal Control”.</li> <li>9. Motion for amendments to the 2021 “audit plan”.</li> <li>10. Motion for amendments to the “internal control system”.</li> <li>11. Motion for evaluation of independence and appropriateness of the Company’s CPAs</li> </ol>	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present

5. Supervisors participating in the operation of the board of directors: Not applicable as the Company established the audit committee since October 8, 2010.

**(III) The state of the Company’s implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:**

Evaluation Item	State of Operation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
* I. Has the Company established and disclosed its rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has amended its “Corporate Governance Practice Principles” on December 18, 2020 in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, with disclosure announced on the Company’s website and MOPS.	No material deviation
II. Equity structure and shareholders’ equity				
(I) Has the Company established internal procedures to handle shareholders’ suggestions, doubts, disputes, and litigation matters; and have the procedures been implemented accordingly?	V		(I) The Company has set up the “Whistleblower Reporting and Protection Procedures” to handle matters concerning shareholders’ rights and interests as well as disputes. Moreover, the Company has also set up a shareholder service unit to provide shareholder services, as well as a legal affairs unit to handle disputes and litigation matters in accordance with applicable procedures.	No material deviation
(II) Does the Company possess the list of the Company’s principal shareholders and the list of the ultimate controllers of the major shareholders?	V		(II) Yes.	No material deviation
(III) Does the Company establish and implement the risk control and firewall mechanisms with the related parties?	V		(III) The Company has established the “Procedure for Transactions between Enterprise Groups, Specified Companies and Related Parties” to govern the Company’s financial and business transactions between enterprise groups, specified companies and related parties to safeguard the Company’s interests, while protecting its shareholders.	No material deviation
(IV) Does the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V		(IV) The Company has formulated the internal “Code of Ethical Conduct for Employees” and “Procedures for Handling Material Inside Information” to regulate that insiders of companies should not use non-public information to trade in securities for personal gains or to harm others. Promote the “Preventive Measures of Insider Trading Management” and related laws and regulations to current directors, independent directors, managerial officers and employees at least once a year; education and orientation is provided to new directors, independent directors and managerial officers after 3 months of their appointment; and new employees will be given education by personnel during pre-employment training. The course includes the scope of material inside information, confidential practices, public practices and the handling of violations. The course is summarized and made into a file to be sent to all directors, managerial officers and employees for reference. Employees of the Company received an online educational presentation on January 27, 2021 and current managerial officers on August 21, 2020. The	No material deviation

Evaluation Item	State of Operation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			course included case studies of confidentiality of material information and how insider trading is formed. The course is summarized and made into a file to be sent to all insiders and colleagues for reference.	
* III. The Composition of the Board of Directors and Their Duties (I) Has the board devised and implemented policies to ensure the diversity of its members?	V		(1) The Company adopts a “candidate nomination system” for the election of directors. All candidates for the election of directors must be nominated and their qualifications reviewed by the board of directors and then submitted to the shareholders’ meeting. According to “Corporate Governance Best-Practice Principles”, the composition of the board of directors must take consideration of diversity, and formulate appropriate diverse guidelines based on its operation, business model and development needs, which include 8 indicators: management, Technology R&D, international, Sales marketing, accounting finance, legal, supervisor, and ESG focus. Business related experience and expertise of directors of the company compose above 8 indicators. 60% of them 4 indicators, 40% of them reach 3 indicators. The percentage of directors who also serve as employees of the Company is 0%; the percentage of independent directors is 40%. 3 directors are aged between 40 and 50; 1 is aged between 50 and 60; and 1 is aged between 70 and 75.	No material deviation
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?	V		(II) Although the Company has not established other functional committees, in response to operational needs, the Company will voluntarily comply with the laws and regulations and set up other functional committees.	No material deviation
(III) Has the Company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the Company perform a regular performance evaluation each year and submit the results of performance evaluations to the board of directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms?	V		(III) The Company passed the formulation of the “Regulations Governing the Board Performance Evaluation” on January 29, 2021. At least one internal performance evaluation is performed each year and the result is reported to the board of directors to be used as a reference for directors’ remuneration and candidate nomination. The scope of the overall performance evaluation of the board of directors of the Company covers the following 5 aspects, with a total of 45 items evaluated: I. Participation in the operation of the Company. II. Improvement of the quality of the board of directors’ decision making. III. Composition and structure of the board of directors. IV. Election and continuing education of the directors. V. Internal control. The scope of the self-performance evaluation of the Company’s board	No material deviation

Evaluation Item	State of Operation		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No		
(IV) Is an external auditor's independence assessed by the Company on a regular basis?	V		<p>members covers the following 6 aspects, with a total of 23 items evaluated:</p> <p>I. Their grasp of the Company's goals and missions.  II. Their recognition of duties of the functional committee.  III. Participation in the operation of the Company;  IV. Their management of internal relationships and communication.  V. Their management of internal relationships and communication.  VI. Internal control.</p> <p>The scope of the performance evaluation of the Company's functional committee covers the following 5 aspects, with a total of 26 items evaluated:</p> <p>I. Participation in the operation of the Company.  II. Their recognition of the duties of the functional committee.  III. Improvement in the quality of decision making by the functional committee.  IV. The composition of the functional committee, and election and appointment of committee members.  V. Internal control.</p> <p>The performance evaluation stated above was carried out and compiled by members of the board, members of the functional committee and stock affairs office before the end of 2021 Q1. The evaluation was conducted using an internal questionnaire</p> <p>The result of the director performance evaluation stated above is provided to directors and is used as a reference basis for determining their remuneration as well as for nominating directors or selecting remuneration committee members.</p> <p>The overall performance evaluation result for the 2020 board of directors is excellent and that it is able to perform functions properly. It scored an average of 4.8 out of 5.</p> <p>The performance evaluation result for the functional committee is excellent and that it is able to perform functions properly. It scored an average of 4.8 out of 5.</p> <p>The members of the 2020 board did not make any other suggestions. The aforementioned evaluation results were submitted to the board of directors' meeting held on March 12, 2021.</p> <p>(IV) The professionalism and independence of CPAs is evaluated by the Company once a year by the independence statement provided by the CPAs. The evaluation result for 2021 was resolved on the board of directors' meeting held on March 12, 2021.</p>	No material deviation

Evaluation Item	State of Operation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
IV. Is the Company a TWSE/TPEX listed company, and has the Company designated an appropriate number of personnel that specialize (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders meetings, preparation of board meeting and shareholders meeting minutes, etc.)?	V		The Company's board of directors appointed the executive vice president and CFO of the finance center, Lien Wei-Chung as the chief corporate governance officer. Lien oversees matters concerning corporate governance, including matters associated with the board of directors, audit committee, remuneration committee and shareholders' meeting. He assists board members with taking office and continuing education, and also provides assistance to directors in legal compliance, fully improving the competence of cooperate governance with efficiency. The responsible unit of the Company's dedicated corporate governance unit is the "Stock Affairs Office". The unit assists in matters concerning corporate governance.	No material deviation
V. Has the Company established mechanisms for communicating with stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and a stakeholder site on the Company website to appropriately respond to material CSR topics stakeholders are concerned about?	V		The Company has established communication channels with its stakeholders and responds according to its stakeholders regarding issues concerning important CSR issues. There is a section on the Company's website (www.cmmt.com.tw) dedicated to stakeholders. The website contains information on the contact person and communication channels: contact person & spokesperson: Sheng Hai-Tien; Agent Spokesperson: Huang Pei-Ming with contact number 06-5889988 and email cmmt_ir@cmmt.com.tw.	No material deviation
* VI. 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: Stock Affairs Agency Department, Taishin International Bank Co., Ltd.	No material deviation
VII. Information disclosure (I) Does the Company have a website set up and disclosed financial business and corporate governance information?  (II) Has the company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?  (III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second, and third quarters, as well as its operating status for each month before the specified deadline.	V		(I) The Company discloses its financial and corporate governance information on the website (www.cmmt.com.tw). (II) The Company has an official website in English to disclose relevant information. The Company has established a spokesperson, and a stock affairs department responsible to disclose relevant information in accordance with the regulations.  (III) The Company announces its financial report within 3 months after the end of an accounting year and publishes its operational information on time.	No material deviation
VIII. Is there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education for directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are	V		(I) Interests of employees, employee care: The Company attaches great importance to labor relations, employee welfare and rights in accordance with the Labor Standards Act; provides second-to-none remuneration, comprehensive insurance, excellent benefits, physical and mental health sports activities, club establishment subsidies, and gender equality policies as a means to build a trusting relationship with our employees.	No material deviation

Evaluation Item	State of Operation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
helpful in understanding the corporate governance operation of the Company?			<p>(2) Investor relations: “Investor Relations” and “Social Responsibility” can be found on the Company’s website. The Company also complies with the laws and regulations and holds an investor conference on a regular basis, and also issues press releases to the media on important events on its own initiative, helping shareholders better understand material information about the state of corporate governance.</p> <p>(III) Supplier relations: The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” and the regulations also include the “Declaration of Integrity Conduct”, hoping that by trusting each other, sustainable growth can be jointly pursued in order to implement good corporate governance.</p> <p>(IV) Rights of stakeholders: The Company instructs internal units to carry out communications with different stakeholders, while also disclosing the related unit’s contact information on the website.</p> <p>(V) Continuing education for directors and managerial officers: The Company’s directors have all reached the hours of continuing education required in the “Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”. For more continuing education information, please refer to directors’ continuing education.</p> <p>(VI) Implementation of risk management policies and risk measurement standards: Not only does the Company organize pre-employment and regular education training to develop the correct concepts for employees, the Company also proactively facilities and implements relevant regulations in order to reduce risks associated with financial operations. Moreover, the internal auditors also perform periodic audits on the risk management inspection points, achieving the operation of the risk control mechanism.</p> <p>(VII) Purchase of liability insurance for the Company’s directors and supervisors: The Company has taken out liability insurance to cover its directors and independent directors in order to protect them within their business scope. The insurance information has been reported to the board of directors on March 12, 2021.</p>	<p>No material deviation</p> <p>No material deviation</p> <p>No material deviation</p> <p>No material deviation</p> <p>No material deviation</p> <p>No material deviation</p>
<p>* IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: Based on 2019 Corporate governance evaluation results: The Company was not included in the list.</p>				

\* Other important information (e.g., the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the continuing education for directors and independent directors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company’s directors and independent directors) that is helpful in understanding the state of corporate governance of the Company:

1. Employee rights and employee care.

- (1) The Company's management regulations (including various employee benefit measures and retirement system) are fully compliant with labor laws and regulations. The Company has passed OHSAS 18001 certification and attained occupational safety and health system certification, beneficial to the elimination or reduction of work risks for employees.
- (2) The Company's products are all RoHS compliant and there is a customer service unit to for dealing with quality and customer complaint issues.
- (3) The Company is fully Labor Standards Act and OHSAS 18001 compliant, providing a safe and healthy workplace for employees.
- (4) The Company provides safety and health education to employees from time to time and organizes employee health examinations on a regular basis.
- (5) The Company establishes periodic communication mechanisms and informs employees in a reasonable manner of changes in operations that may have a significant impact on them. Relevant information is disclosed in the "Investor Relations" section on the Company's website ([www.cmmt.com.tw](http://www.cmmt.com.tw)) or on MOPS (<http://mops.twse.com.tw/index.htm>) as required by laws and regulations.
- (6) In 2018, the Company began to implement an employee stock ownership trust program, which enables employees to jointly invest in the Company's share in a long-term manner. At CMMT, we also manage and use the trust assets for employees participating in the program in order to accumulate wealth and secure their future livelihood.

(7) Number of employees and employee benefit expenses for 2020:

As of December 31, 2020 and February 28, 2021, the Company had 1,094 employees and 1,118 employees, respectively.

2020			
Unit: NT\$ thousand			
Item	Operating costs	Operating expenses	Total
Employee benefit costs			
Salary and expenses	595,912	147,846	743,758
Labor and health insurance costs	59,221	10,992	70,213
Pension expenses	28,568	7,383	35,951
Other employee benefit expenses	59,196	8,930	68,126
Remuneration to Directors	-	6,010	6,010
Total	742,897	181,161	924,058
Depreciation expenses	311,535	12,070	323,605
Amortization expenses	547	6,325	6,872

2. Employee benefits and their implementation:

- (1) Under the benefit system, at CMMT, we provide groups trips or travel subsidies for employees. We are committed to improving employee benefits and recreational measures.
- (2) We proactively promote sports while encouraging the establishment of diverse organizations.
- (3) The health of employees is very much focused as we hold health seminars and carry out health examinations each year.
- (4) In terms of remuneration, in 2019, the Company began to implement an employee stock ownership trust program, which enables employees to jointly invest in the Company's share in a long-term manner. At CMMT, we also manage and use the trust assets for employees participating in the program in order to accumulate wealth and secure their future livelihood.
- (5) Continuing education and training are constantly facilitated to expand and strengthen the working skills of employees.

(1) In 2020, continuing education and training are performed as the following:

Training category	Total number of courses	Total number of people	Total number of hours
Professional courses and others	149	2,620	428
Safety and Health	52	301	127
Legal Education	0	0	0
Management Skills	4	6	50
Total	205	2,927	605

(2) Retirement system and its implementation: The following systems are in accordance with the applicable labor laws and regulations.

- ①(Retirement applied for in person) Employees of the Company who meet one of the following circumstances may apply for retirement:

① Those who have worked for over 15 years and are at least 55 years old;

② and those who have worked for over 25 years.

② (Mandatory retirement) The Company does not enforce mandatory retirement on an employee unless the employee meets one of the following circumstances:

① Those who are over 65 years old;

② and those who are mentally or physically incapacitated and are deemed unfit for work.

The age specified in the preceding paragraph may be adjusted by the Company through the central competent authority for workers with work of a special nature such as that which is dangerous or requires physical strength, but they not shall be under 55 years old.

③ (Retirement age) The determination of retirement age of employees shall be based on the household registration.

④ (Method for receiving and calculating retirement fund) The method for receiving and calculating the retirement fund is as follows:

I. Personal pension account system:

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

\* Lump-sum payment upon retirement: The principal and accrued dividends from an employee's individual labor pension account are to be claimed in a lump sum at one time.

II. Annuity insurance system: The amount received is determined by the insurance contract.

⑤ Retirement Application.

I. Employees should apply for retirement in person and submit it to the president for approval.

II. In the event of mandatory retirement, the applicant is notified by their supervisor through the HR department.

III. Employees must complete all handover procedures in accordance with relevant regulations prior to the effective date of retirement.

\* Implementation: The implementation status of the Company is satisfactory and in compliance with the Labor Standards Act and Labor Pension Act. In 2020, the number of retirees in 2020 was 0.

3. Investor relations: Each year, the Company convenes shareholders' meeting in accordance with the Company Act and applicable laws and regulations. Shareholders are given sufficient opportunities to ask questions and make proposals. A spokesperson system is also in place to handle matters including suggestions, doubts, disputes. The Company reports and announces related information in accordance with the regulations promulgated by the competent authorities, and provides information that may affect investors' decisions in a timely manner.

4. Supplier relationship: With respect to supplier dealings, the Company has formulated the "Procurement Management Procedures" to regulate suppliers, and requires the employee to abide by the "Code of Ethical Conduct for Employees". The Company also strives to establish long-term close relationships with suppliers based on the win-win principle, hoping that by trusting one another, sustainable growth can be jointly pursued.

5. Stakeholders' rights: The company maintains open communication channels with banks it has dealings with, as

well as employees, customers and suppliers. The company also respects and maintains their legitimate rights and interests. There is a spokesperson and acting spokesperson in place to respond to investors' questions, hoping to provide investors and stakeholders with highly transparent financial and business information. Also, the Company has formulated the "Code of Ethical Conduct for Employees" to regulate our employees to treat stakeholders with appropriate manners.

There is a section on the Company's website ([www.cmmt.com.tw](http://www.cmmt.com.tw)) dedicated to stakeholders. The website contains information on the contact person and communication channels: contact person & spokesperson: Sheng Hai-Tien; Agent Spokesperson: Huang Pei-Ming with contact number 06-5889988 and email [cmmt\\_ir@cmmt.com.tw](mailto:cmmt_ir@cmmt.com.tw).

## 6. Continuing education:

2020 continuing education for directors, independent directors and managerial officers:

Title	Name	Continuing Education Date		Organizer	Course Name	Course Hours
		Start	End			
Chairman	Ho Jau-Yang	2020-08-28	2020-08-28	Taiwan Corporate Governance Association	Tax Management Trends for Enterprises in the Post-Pandemic Era	3
		2020-08-28	2020-08-28	Taiwan Corporate Governance Association	Management Rights Battle & Case Study Analysis	3
Director	Lu Wei-Lun	2020-08-28	2020-08-28	Taiwan Corporate Governance Association	Tax Management Trends for Enterprises in the Post-Pandemic Era	3
		2020-08-28	2020-08-28	Taiwan Corporate Governance Association	Management Rights Battle & Case Study Analysis	3
Director	Chen Chi-Wen	2020-08-19	2020-08-19	Securities & Futures Institute	Understanding Futures Derivatives Hedges and Operating Sound Corporate Sustainability Practices Seminar	3
		2020-09-21	2020-09-21	TWSE	Agenda for the Corporate Governance 3.0 - Sustainable Development Roadmap Summit	3
Independent Director	Liu Wei-Ting	2020-09-03	2020-09-03	Independent Director Association Taiwan	From the Global Political and Economic Situation to the Business Strategy and Transformation of Taiwan Enterprises	3
		2020-11-26	2020-11-26	Independent Director Association Taiwan	Practical Operation and Case Studies of Audit Committees and Other Functional Committees	3
Independent Director	Huang Kuo-Shih	2020-03-16	2020-03-16	CPA Associations Seminar	Keys and Doubts on Business Tax Returns	7

## 7. Personnel Associated with Disclosure and Financial Information:

2020 chief accounting officer:

Lien Wei-Chung, chief accounting officer (re-elected): "Chief Accounting Officer Continuing Education Course" - 12 hours.

## 8. Implementation of Risk Management Policy and Risk Measurement Criteria:

The Company has established the internal control system, internal audit system, and self-assessment procedures as well as various management measures or operating procedures. These procedures are used as the basis for risk control and risk measurement criteria for various units and audit unit of the Company when carrying out the above operations.

## 9. Implementation of consumer or customer protection policies:

In a bid to provide comprehensive service and protection to customers and clients, we communicate with our customers regarding their complaints in a timely manner in order to understand their needs and to promote efficient

interaction between the Company and clients. We also carry out reviews on the production and sales meetings and quality control meetings as a means to make improvements.

10. Purchase of liability insurance for the Company’s directors and independent directors:

The Company has been taking out liability insurance to cover its directors and independent directors each year since 2011; the information is disclosed on MOPS. The Company has taken out liability insurance to cover its directors and independent directors for 2021, which has been submitted to the board of directors’ meeting held on March 12, 2021.

11. Those with a self-review report on corporate governance or a corporate governance evaluation report performed by an entrusted professional agency. Its self-review (or review performed by an entrusted professional agency) result, major deficiencies (or suggestions) and improvements: In January 2020, the Company completed the “Board’s Self-review or Peer Review”; deficiencies and improvements have been reported on the board of directors’ meeting held on March 12, 2021.

(IV) The state of the composition, duties and the state of the remuneration committee:

1. The Company has established a remuneration committee on April 26, 2011 in accordance with 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 Taiwan Stock Exchange or the Taipei Exchange”. The committee is responsible for implementing corporate governance, improving supervisory functions and strengthening management mechanisms.

2. The convener for the Company’s 5th remuneration committee is the independent director Liu Wei-Ting.

3. Information on the members of the remuneration committee is as follows:

Date: March 25, 2021

Identity (Note 1)	Conditions	Have at least 5 years of work experience and the following professional qualifications			Independence status (Note 2)										Number of members of remuneration committees of other public companies	Remark	
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	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 working experience in commerce, law, finance, accounting or other fields required by the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Liu Wei-Ting	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0	(Note 3)
Independent Director	Chen Yen-Sung (Note 4)			V	V	V	V	V	V	V	V	V	V	V	V	0	(Note 3)
Independent Director	Huang Kuo-Shih		V	V	V	V	V	V	V	V	V	V	V	V	V	3	(Note 3)
Remuneration Committee	Tai Chien (Note 5)			V	V	V	V	V	V	V	V	V	V	V	V	2	(Note 3)

Note 1: For “Identity”, please fill in director, independent director or other.

Description: A “V” is placed in the box if the member met the following conditions at any time during active duty and two years prior to the date elected.

- (1) Not an employee of the Company or any of its affiliated enterprises.
- (2) Not a director or supervisor of an affiliated enterprises of the Company. (However, this restriction does not apply in cases where the person is an independent director of the Company, its parent or subsidiary or a subsidiary of the same parent established in pursuant to this law or 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 1% or more of the total number of issued shares of the Company or ranking within the top 10 in holdings.
- (4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).
- (5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 of Article 27 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor, or employee, holding a majority of the Company's director seats or voting shares and those of any other company controlled by the same person. (The same does not apply, however, in cases where the person is an independent director of the Company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) Not the same person as the Company's director, general manager, or person of an equivalent post or of a specified company or institution's director, supervisor, or officer (the same does not apply, however, in cases where the person is an independent director of the Company or its parent company, any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
- (8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company. (The same does not apply, however, to certain companies or institutions holding more than 20%, but no more than 50%, of the total issued shares of the Company, and to independent directors appointed in accordance with the Act or the laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or any associate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any associate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500 thousand, or a spouse thereof. This restriction does not apply to a member of the salary and remuneration committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not under any circumstances as stipulated in Article 30 of the Company Act.

Note 3: In compliance with Article 6, Paragraph 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".

Note 4: Independent director Chen Yen-Sung resigned on March 17, 2020.

Note 5: The appointment of Tai Chien as one of the members of the Company's remuneration committee was approved by the board of directors' meeting held on May 7, 2020. Tai Chien resigned on March 3, 2021 due to his personal career planning.

#### 4. Information on the state of the remuneration committee:

(1) The Company's remuneration committee consists of 2 members.

(2) The term of office of the current members.

A: As prescribed in the Remuneration Committee Charter, the term of office of the committee members is the same as the term of office of the appointed board members. On April 26, 2019, the Company carried out a by-election on the special meeting of shareholders; on April 29, 2019, the board of directors approved the appointment of the members of the Company's 5th remuneration committee.

B. From April 29, 2019 up to the date of publication of the annual report, the members of the remuneration committee are: Liu Wei-Ting, Huang Kuo-Shih, and Tai Chien; the convener for the 5th remuneration committee is Liu Wei-Ting. Tai Chien resigned on March 3, 2021 due to his personal career planning.

C. The Company's 5th remuneration committee members run from April 29, 2019 to April 25, 2022.

(3) The most recent remuneration committee held a total of 5 meetings (A: 4 times in 2020; once in 2021). The qualifications and attendance of members are as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	Liu Wei-Ting	5	5	100	
Member	Chen Yen-Sung (Note 1)	0	0	0	Resigned on March 17, 2020. (Note: a number of 0 meeting shall be attended)
Member	Huang Kuo-Shih	5	5	100	
Member	Tai Chien (Note 2)	3	0	100	Resigned on March 3, 2021. (Note: a number of 3 meetings shall be attended)
Other information required:					
I. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the compensation package approved by the board of directors is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.					
II. As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.					

Note 1: Independent director Chen Yen-Sung resigned on March 17, 2020.

Note 2: The appointment of Tai Chien as one of the members of the Company's remuneration committee was approved by the board of directors' meeting held on May 7, 2020. Tai Chien resigned on March 3, 2021 due to his personal career planning.

(4) Material resolutions of an audit committee meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Remuneration Committee Meeting Date	Motion Content	Resolution Result	Company Response to Remuneration Committee's Opinions:
2020-03-18	1. Motion for amendments to the "Remuneration Committee Charter".	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-08-10	1. Motion for passing bonuses for insiders.	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-11-06	1. Motion for remuneration to the Company's president, please review. 2. Motion for remuneration to the Company's chairperson, please review.	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2020-12-18	1. Motion for remuneration to the Company's newly-appointed insiders. 2. Motion for the review and adjustment of remuneration to the Company's insiders. 3. Motion for passing bonuses for insiders.	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present
2021-03-12	1. Motion for the review and formulation of the Company's 2021 annual remuneration policy, system, criteria and structure for managerial officers.	Approved by all members of the committee	Submitted to the board of directors Subject to approval of all directors present

(V) The state of the Company’s performance of social responsibilities:

The state of the Company’s performance of social responsibilities, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Updated on: 25 March 2021

Evaluation Item	State of Operation (Note 1)			Deviations from “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary (Note 2)	
I. Has the company performed risk assessments on environmental, social, and corporate issues in relation to the Company’s operations according to materiality principles, and formulated relevant risk management policies or strategies? (Note 3)	√		<p>I. The Company performs risk assessments on environmental, social, and corporate issues in relation to the Company’s operations based on materiality principles. The relevant policies and strategies are as follows:</p> <p>(I) Environment Industrial safety and environmental risks. Since the establishment of the plant, the Company has been making an effort to reduce the environmental impact on the production. The Company aims to provide our employees a safe workplace where pollution is low. In recent years, the Company has introduced a number of water and electricity conservation facilities. In terms of waste treatment and sewage disposal, the Company has also invested in a variety of equipment and manpower, dedicating itself to becoming a eco-friendly company. The Company has attained the ISO 14001 environmental management system certification to establish an environmental management system that meets the standards.</p> <p>Risk of business interruption and property loss due to natural disasters: In an effort to avoid the risk of property loss and business interruption, the Company takes out insurance policies to transfer related risks. In addition, CMMT has set up a disaster prevention center and has a designated commander. The commander is responsible for quickly dispatching emergency response manpower to reduce disaster losses in the event of a typhoon or earthquake by quickly carrying out an inventory check, control and blocking of the disaster area.</p> <p>(II) Society Industry change risk: By regularly keeping a close eye on industry news and researches, the Company hopes to provide the management with the latest industry dynamics and changes in order to make the most suitable decisions. Manpower risk: Not only does the Company review our salary framework and improve employee benefits on a regular basis, the Company has also begun to introduce foreign workers to fill in the labor gap.</p> <p>(III) Corporate governance Credit risk: The Company reviews the status of accounts receivable return and collection operations on a regular basis, and analyzes the industry and customer operating conditions to reduce the risk of bad debts. Interest rate and exchange rate risk: The Company only carries out physical hedging and only chooses conservative and stable hedging products. Liquidity risk: The Company persists in the expansion of long-term and short-term financing channels to fully diversify its sources of capital, while also strengthening the capital structure using capital marketing financial instruments. Information security risk: CMMT strives for the protection of the confidential information and intellectual property of the Company as well as its stakeholders to ensure the interests of the Company, customers, employees and all of its shareholders and to secure its competitiveness. The Company has also set up an internal closed system and promotes information and measures with respect to information security to its employees on a regular basis. By carrying out such approach, the Company aims to prevent external parties from stealing or photographing company information</p>	None
II. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, has	√		<p>II. Specific (or part-time) unit set up to promote corporate social responsibility: Legal Affairs and Legal Compliance Office * How the unit operates: With reference to the international guidelines for the preparation of reports. The Company prepares an annual “Corporate Social Responsibility Report” and reports the status of the handling to the board of directors as a means</p>	None

<p>the management been authorized by the board of directors to handle matters and to report the status of the handling to the board of directors?</p>		<p>to strengthen the disclosure of its corporate social responsibility information.</p>													
<p>III. Environmental Issues</p> <p>(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</p> <p>(II) Is the Company committed to enhancing the utilization efficiency of resources and use renewable materials with low impact on the environment?</p> <p>(III) Has the Company assessed the potential risks and opportunities for business operations now and the future regarding climate change and will it adopt response measures relating to climate issues?</p> <p>(IV) Has the Company calculated the greenhouse gas (GHG) emissions, water consumption, and total weight of waste in the past 2 years, and formulated policies on energy conservation and carbon reduction, GHG reduction, water consumption, or other waste management?</p>	<p>√</p>	<p>(I) The Company has established appropriate environmental management in accordance with its industrial character and is RoHS compliant. In production, we use non-hazardous substances specified in the regulations to reduce the impact on the environment. The Company has also attained the new version of ISO 14001:2015 certification in 2018.</p> <p>(II) The Company's commitment to enhancing the utilization efficiency of resources:  Waste reuse: The Company conducts management of main packaging materials, pads and chemicals as well as enforcing reduction and recycling. For packaging, the Company uses PP boxes that can be recycled to improve the use cycle of these materials while reducing waste generation; for pads, the Company recycles used pads or cuts pads into small sizes to be used over and over again; FOR CHEMICALS, AN IODINE RECOVERY SYSTEM HAS BEEN INTRODUCED AND AQUEOUS SOLUTION CONTAINING IODINE IS CONCENTRATED AND PURIFIED BY THE SUPPLIER, ACHIEVING THE BENEFIT OF RECYCLING THE RAW MATERIAL; AND for water recovery, the water recovery rate is improved through the adoption of process equipment system that recycles and reuses water.</p> <p>(III) The Company has been fulfilling its duties to improve the efficiency of all types of resources. The Company has introduced a number of energy-conservation facilities and green energy, hoping that, through our production activities, the Company will move towards the goal of being a low-carbon company as well as creating economic value: adding inverters for air compressors, inverters for the air conditioning at production line, energy-saving air conditioning in the kitchen and inspection station operation changes.  Since 2016, in line with the government's promotion of renewable energy policies, the Company has installed solar power generation systems in its plants. In 2020, the solar power system generated a total of 851,848 kWh of electricity The electricity was self-generated, which accounted for 1% of the total electricity consumption.</p> <p>(IV)</p> <p>1. The Company's statistics on GHG emissions, water consumption, and total weight of waste in the past 2 years</p> <table border="1" data-bbox="680 836 1671 940"> <thead> <tr> <th>Year</th> <th>Carbon dioxide equivalent (CO2e)</th> <th>Water consumption (degrees)</th> <th>Total weight of waste (tons)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>49,382</td> <td>640,759</td> <td>3,174</td> </tr> <tr> <td>2020</td> <td>51,140</td> <td>709,050</td> <td>3,526</td> </tr> </tbody> </table> <p>2. Energy saving and carbon reduction, GHG reduction policies and measures:</p> <ul style="list-style-type: none"> <li>● Our chilled water system runs with a dual temperature system of 7°C and 14°C to reduce the energy loss of temperature conversion needs.</li> <li>● The chilled water circulation system and cooling water tower fan use an inverter compressor which allows automatic adjustment of appropriate flow rate and air speed to reduce inefficient energy loss.</li> <li>● The air pressure system on the other hand adopts both fixed-frequency and variable-frequency systems. The fixed-frequency system is used as the base load operation, while the variable-frequency air compressor as the variable load adjustment pressure. Both systems effectively maintain a constant pressure while reducing the energy consumption of the fixed-frequency air compressor being turned on and off.</li> <li>● An inverter has been installed in the clean room air conditioning box, effectively maintaining a constant pressure in the clean room and reducing energy consumption.</li> <li>● As for the basement parking lot and outdoor street-lights, old lights have been replaced with LED lighting to reduce electricity consumption.</li> <li>● A solar power system has been installed on the roof, and it generates electricity for the Company's own-use, reducing the purchase of electricity from Taipower.</li> </ul> <p>The GHG inventory in the plant is carried out, and a third-party impartial unit is appointed to verify GHG emissions in accordance with the related specification (14064-1) to ensure a full grasp of the emissions data for future energy saving and carbon reduction benchmarks.</p>	Year	Carbon dioxide equivalent (CO2e)	Water consumption (degrees)	Total weight of waste (tons)	2019	49,382	640,759	3,174	2020	51,140	709,050	3,526	<p>None</p>
Year	Carbon dioxide equivalent (CO2e)	Water consumption (degrees)	Total weight of waste (tons)												
2019	49,382	640,759	3,174												
2020	51,140	709,050	3,526												

		<p>3. Reduction of water and other waste policies and measures:  Water saving measures: Pure water system recycling, process water saving recycling, other water saving recycling.  Waste management policy: CMMT strives to promote cutting down waste and resource recovery at source. The Company has implemented various reduction plans in the plant, such as: extending the usage period of production line raw materials, packaging material racks recycled for reuse, and recycling waste plastic to increase reuse rate. Overall, it is CMMT's commitment to improve product yields and reduce waste generation by reducing consumption.</p> <p>4. Other pollution emission control measures:</p> <ul style="list-style-type: none"> <li>● Records: Daily record of operation data for air pollution prevention equipment.</li> <li>● Maintenance: Carry out repair and maintenance of all equipment in accordance with the maintenance schedule in the operating instructions for prevention equipment.</li> <li>● Regular inspection: Regular inspection is performed by a commissioned qualified agency approved by the EPA based on the pollutants and discharge pipes of stationary source operation permit application.</li> <li>● Employee training: After operators receive complete training of related equipment, they may begin to operate the air pollution prevention equipment.</li> </ul> <p>2020 implementation result:</p> <p>In 2020, the solar power system generated a total of 851,848 kWh of electricity. The electricity was self-generated, which accounted for 1% of the total electricity consumption. In 2020, the Company applied for 860 renewable energy certificates (1,000 kWh per certificate), and as of March 10, 2021, 789 renewable energy certificates had been sold.</p> <p>In 2020, waste generated per unit from production decreased by 0.2 metric tons per 10,000 meters, and hazardous business waste decreased by 0.03 metric tons per 10,000 meters. In 2020, wastewater discharge per unit from production decreased by 19 M<sup>3</sup>/million meters and a reduction of 7%.</p> <p>In 2020, 3,526 tons of business waste of the entire company were cleaned up by a commissioned entity. Of all the waste, 1,102 tons were recovered and reused, 1,906 tons were incinerated, and 518 tons were disposed of in landfills. In 2020, the entire company's waste recycling ratio was 31%.</p>	
<p>IV. Social issues</p> <p>(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p> <p>(II) Has the Company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other benefits), and appropriately reflect the business performance or achievements in the employee remuneration?</p>	<p>√</p> <p>√</p>	<p>(I) The Company's management regulations (including employee welfare measures, retirement system, etc.) are all in compliance with Taiwanese labor laws and regulations. The Company also follows the International Bill of Human Rights and provides a working environment that balances work and life. Moreover, the Company has passed OHSAS18001 certification and attained occupational safety and health system certification, beneficial to the elimination or reduction of work risks for employees.</p> <p>(II) The Company has established and implemented reasonable measures for employee benefits:  Leave: A comprehensive leave system in accordance with labor laws and regulations is provided. The Company places great importance on female-friendly benefits such as maternity leave, parental leave, paternity leave.  Remuneration: Not only are employees provided with stable annual salary and annual bonuses, rewards are also allocated for our employees depending on the operational conditions and their personal performance. From time to time, the Company offers promotions and pay rises in conjunction with employee performance appraisal. The Company began to implement an employee stock ownership trust program in 2018, aiming to increase the centripetal force of employees with a diversified remuneration system.</p> <p>In 2020, the Company paid an average monthly salary of NT\$67,700 per employee, higher than the average monthly salary of NT\$54,320 per employee according to the 2020 statistics released by the Directorate General of Budget, Accounting and Statistics — the salary level we offer at CMMT is better than the national average.</p> <p>Benefits: In addition to satisfying employees' needs for food, clothing, housing, transportation, education, and recreation, the Company also provide employees with comprehensive insurance, including life insurance, accident insurance and free group insurance to give employees peace of mind. CMMT has also established an employee welfare committee, providing maternity, marriage, childbirth, funeral, leisure allowances, as well as birthday vouchers and vouchers for 3 major holidays in Taiwan. The Company also has systems in place for company trips and retirement. The Company's retirement system is fully in compliance with regulations stipulated in the Labor Standards Act and Labor Pension Act. Employees of the Company who</p>	<p>None</p>

	√	<p>meet one of the following circumstances may apply for retirement: Those who have worked for over 15 years and are at least 55 years old; those who have worked for over 25 years. The Company shall not enforce mandatory retirement on an employee unless the employee meets ones of the following circumstances: Those who are over 65 years old; and those who are mentally or physically incapacitated and are deemed unfit for work. The age specified in the preceding paragraph may be adjusted by the Company through the central competent authority for workers with work of a special nature such as that which is dangerous or requires physical strength, but they not shall be under 55 years old. The determination of the retirement age of employees shall be based on the household registration. The Company's retirement system has been well implemented in accordance with the Labor Standards Act and Labor Pension Act. For employees who are eligible to claim the pension as stipulated in the "Labor Pension Act", the Company contributes 6% of employees' wages to their personal accounts each month. Number of people who applied for retirement in recent years:</p> <table border="1" data-bbox="680 400 1742 488"> <thead> <tr> <th>Year</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Number of retirees</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Year	2018	2019	2020	Number of retirees	0	0	0	
Year	2018	2019	2020								
Number of retirees	0	0	0								
<p>(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p>	√	<p>(III) When it comes to the training of new hires, the Company is in full compliance with the Labor Standards Act and OHSAS18001. The Company provides a full range of basic education and training to new employees, including environmental health and safety, fire safety, static electricity protection, aiming to increase employees' basic safety awareness. In the event of an injury, employees are provided with a safety and healthy workplace through an abnormal accident management system.</p> <p>Employees are not only entitled to an annual health examination, the Company has also been putting an effort in investing in special protection programs and workplace health promotion events, hence the reason the Company was awarded with the "Badge of Accredited Healthy Workplace".</p> <p>The number of work-related fatalities and occupational diseases among employees in 2020 was 0.</p> <p>2020's implementation of education and training:</p> <table border="1" data-bbox="680 751 1704 842"> <thead> <tr> <th>Training category</th> <th>Total number of courses</th> <th>Total number of people</th> <th>Total number of hours</th> </tr> </thead> <tbody> <tr> <td>Safety and Health</td> <td>52</td> <td>301</td> <td>127</td> </tr> </tbody> </table>	Training category	Total number of courses	Total number of people	Total number of hours	Safety and Health	52	301	127	
Training category	Total number of courses	Total number of people	Total number of hours								
Safety and Health	52	301	127								
<p>(IV) Has the company implemented an effective training program that helps employees develop skills over their career?</p>	√	<p>(IV) The Company provides fixed education and training to internal employees each year to establish an effective career development training program, such as:</p> <ol style="list-style-type: none"> <li>(1) ISO 9001 and QC 080000 Internal Auditor Training Course.</li> <li>(2) ISO 14064 Greenhouse Gas Accounting and Verification &amp; Auditor Training Course</li> <li>(3) ISO 45001:2018 Occupational Health and Safety System and Internal Auditor Training Course</li> <li>(4) Internal Process Auditor Process Failure Mode and Effects Analysis (PFMEA) and Control Plan Awareness Training</li> <li>(5) Management Training Program (MTP) for middle level supervisors to enhance their management skills.</li> <li>(6) Training Within Industry (TWI) for grassroots management skills - work coaching and work improvement.</li> <li>(7) Awareness and promotion of Personal Data Protection Act: Practical Course for Information and Business Audits and Palo Alto Networks Firewall Hands-on Experience.</li> <li>(8) How to make good use of the computer system to identify abnormal transactions</li> <li>(9) Corporate Compliance Course: Major Labor-Management News Incident, Security and Supervisor Training Course</li> </ol>									
<p>(V) Has the company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?</p>	√	<p>(V) The Company's products all follow applicable laws and regulations as well as international standards, and are RoHS compliant.</p>									
<p>(VI) Has the company established supplier management policies demanding compliance with relevant regulations and their execution status regarding</p>	√	<p>(VI) The "Basic Supplier Information Form" signed with suppliers before a business dealing includes the question to the question of "whether the supplier's historical record of environmental and social impact has been assessed". The Company also established a "Supplier Social Responsibility Agreement" with major suppliers, including terms of termination or cancellation of the contract at any time if the supplier is involved in a violation of its corporate social responsibility policy and</p>									

issues such as environmental, occupational safety, and health or labor rights?			has significant environmental and social impact. In an effort to implement corporate governance, on November 11, 2015 and June 20, 2016, the board of directors passed the “Procedures for Ethical Management and Guidelines for Conduct”, which includes the “Declaration of Integrity for Suppliers”. The “Declaration of Integrity for Suppliers” and the “Supplier Social Responsibility and Integrity Commitment” can be found on the Company’s website: www.cmmt.com.tw (Corporate Responsibility → Corporate Governance).	
V. Has the company taken reference from the internationally accepted reporting standards or guidance when preparing CSR reports to disclose non-financial information? Have the reports mentioned previously obtained the assurance of third-party verification?	√		Yes, the Company prepares the annual CSR report in accordance with the GRI Standards: Core, published by the Global Reporting Initiative (GRI). The Company’s reports have not been verified or assured by a third-party.	None
<p>V. For companies who have established Corporate Social Responsibility Best Practice Principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the current practice and any deviations from the code of conduct:  The Company’s board of directors passed the “Corporate Social Responsibility Best Practice Principles” on May 12, 2011. Its operation does not deviate from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”.</p>				
<p>VII. Any other essential information that may help understand the state of corporate social responsibility better:  (I) In an attempt to fulfill the Company’s social responsibility to protect earth, the main raw materials used are in accordance with the EU’s “Restriction of (the use of certain) Hazardous Substances”, which came into effect in July 2006. The hazardous substances are banned in production and all departments are informed of related information to ensure that the Company’s products meet the requirements of EU’s directives or customers. Furthermore, the Company has attained the ISO 14001:2004 environmental management certification - it is the Company’s ongoing dedication to make a difference in environmental pollution, energy and resource conservation and waste reduction to reduce potential environmental risks.  (II) The Company have also passed the OHSAS 18001: 2007 occupational safety and health management system. The Company insists on effectively eliminating or reducing risks for workers, while improving occupational health and safety and further reducing medical claims and insurance costs.  (III) It is in the Company’s nature to always lend a hand when there is a social crisis. In response to environmental sustainability, the Company supported a native species tree planting activity in 2016.  (IV) Promoting education and public welfare: To make good use of the Company’s power, it sponsored WHYIXD in 2019 in the “2020 X-site Program: X-Reality” - unique light and shadow effected were displayed through the optical properties of polarizing plates sponsored by CMMT. The work has also won the first-place prize among the total of 42 works in the exhibition.  (V) The Company partnered up with the Tainan Astronomical Education Area in organizing the “Science Kids Alliance and Pa-Ke’s Fantastic Science Exhibition” on November 22, 2020. CMMT sponsored polarizing plates for the work “Swamp Code”, revealing the hidden secret of the lotus swamp through the eyes (polarizing plate) of the black-faced spoonbill. CMMT implements the educational significance of corporate responsibility through the fun activities.</p>				

Note 1: If the “state of operation” is specified “Yes”, please explain the key policies, strategies and measures taken and the current progress; if the “state of operation” is specified “No”, please provide reasons and explain any policy, strategy and measure planned for the future.

Note 2: If the company has prepared a corporate social responsibility report, the “state of operation” may be completed by providing page references to the CSR report instead.

Note 3: “Materiality principle” refers to environmental, social and corporate governance issues that are of material impact to the Company’s investors and stakeholders.

(VI) The state of the Company’s performance in the area of ethical corporate management and measures adopted:

**The state of the Company’s performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance**

Updated on: 25 March 2021

Evaluation Items	State of Operation			Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Summary	
I. Ethical management policies and action plans				
(I) Has the Company established an ethical management policy that has been passed by its board of directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies and methods?	V		(1) The “Ethical Corporate Management Best Practice Principles” were approved by the Company’s board of directors on April 26, 2011 and the “Corporate Governance Best-Practice Principles” on December 18, 2020. The Company specifies the policy and practice of ethical corporate management in the regulations and external documents in order to reach the effect that the board of directors and management proactively enforce the management policy commitment.	None
(II) Has the Company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	V		(2) The Company’s “Ethical Corporate Management Best Practice Principles” and “Corporate Governance Best-Practice Principles” specify the means to prevent unethical conducts. The Company has a comprehensive complaint and disciplinary system, reporting and complaint channels: 1. Internal reporting channels include: (1) Direct supervisor (2) HR supervisor (3) Legal unit (4) Audit personnel (5) President’s mailbox. 2. The external reporting channel is the Company’s “Management Office and Legal and Compliance Office”, which can be reached through the “Reporting System for Unethical Conduct” on the official website <a href="http://www.cmmt.com.tw">www.cmmt.com.tw</a> . Upon receiving an unethical conduct complaint, the Company will carry out an evaluation meeting made up of senior executives from different units and handles the complaint in accordance with related internal operational regulations. Where the level of disciplinary action involves a managerial officer, not only does the Company handle the situation in accordance with related regulations; it will also be reported to the board of directors.	None
(III) Has the Company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?	V		(III) 1. Corporate governance and ethical management are promoted through weekly meetings or non-scheduled meetings. Where there is a violation of ethical conduct, the Company will carry out an evaluation meeting made up of senior executives from different units. 2. The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” aiming to prevent bribery, accepting bribes and illegal political contributions for business activities with a higher risk of unethical conduct within the scope of business.	None
II. Implementation of ethical management				
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(I) Before establishing a business relationship, the Company first evaluates the legitimacy of its business partners and performs credit evaluations in order to avoid dealing with unethical business parties. Also, on November 11, 2015, the board of directors	None

Evaluation Items	State of Operation			Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance
	Yes	No	Summary	
(II) Has the Company set up a dedicated responsible unit to promote corporate ethical management under the board of directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the board of directors on a regular basis (at least once a year)?	V		<p>passed the “Procedures for Ethical Management and Guidelines for Conduct”. The regulations include the “Donations from Vendors or Customers Exempted from Reporting”, the “Declaration of Integrity” for suppliers and the “Integrity Commitment” for employees, thoroughly implementing ethical conduct of corporate governance.</p> <p>(II) Dedicated responsible unit to promote corporate ethical management: Operations Management Office</p> <p>* Operation of the established unit:</p> <p>1. The Company has designated the “Operations Management Office” as the dedicated unit (hereinafter referred to as the “Company’s dedicated unit”) to handle matters associated with corporate ethical management covering the amendment, implementation, explanation, consultation services, notification content, and filing as well as supervising their execution, which is reported to the board of directors on a regular basis.</p> <p>2. If the Company’s personnel (directors, managerial officers, employees and persons with substantial control over the Company and the organization) offers or promises to pay for the facilitation in the face of threats or intimidation, they shall record the process and report it to the departmental supervisor, while also informing the Company’s dedicated unit. After being informed of the aforementioned situation, the Company’s dedicated unit shall handle it immediately. Related issues must also be reviewed to reduce the risk of recurrence. In the event of an unlawful activity, the judicial authorities must be notified immediately. As a means to fulfill the supervisory responsibility of ethical management, the Company’s board of directors has set up various organizations and channels, including the audit committee, remuneration committee, financial experts under the audit committee, internal audits, legal compliance and legal affairs. The Company’s finance department and internal auditors also report regularly to the board of directors on the state of the relevant implementation. Under the supervision of the board of directors, the Company’s managerial officers, especially the presidents and CFO, must ensure that the financial accounting information reported by the Company to the securities authorities or disclosed externally is complete, fair, accurate, up-to-date and easy to understand.</p>	None
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	V		(III) The Company’s “Corporate Governance Best-Practice Principles” stipulates that stakeholders must recuse themselves due to conflicts of interest. Transactions between the Company and its affiliated enterprises and shareholder transactions shall be based on the principle of fairness. Corporate shareholders and directors with control over their own interests shall be handled in accordance with the above rules ,and transferring of benefits is strictly prohibited.	None
(IV) Has the Company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust an account to carry out the review?	V		(IV) In an effort to implement ethical management, the Company has set up an effective accounting system and internal control system. These systems are regularly audited by the internal audit unit as well as the entrusted CPAs of PwC Taiwan.	None
(V) Does the Company organize internal or external training on a regular basis to	V		(V) Not only does the Company organize internal ethical management education and training,	None

Evaluation Items	State of Operation			Variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance
	Yes	No	Summary	
maintain ethical management?			related courses organized by the competent authorities and banks concerning corporate governance and ethical management are also attended.	
III. The state of the whistleblowing system				
(I) Does the Company have a specific whistleblowing and reward system stipulated, a convenient report channel established, and a responsible staff designated to handle the individual being reported?	V		(I) The reporting system is stipulated in Chapter 7 of the Company's "Code of Ethical Conduct for Employees". The Company's whistleblowing channels: 1. Internal whistleblowing channels include: (1) Direct supervisor (2) HR supervisor (3) Legal unit (3) Audit personnel (4) President's mailbox. 2. The external whistleblowing channel is the Company's "Management Office and Legal and Compliance Office", which can be reached through the "Reporting System for Unethical Conduct" on the official website <a href="http://www.cmmt.com.tw">www.cmmt.com.tw</a> .	None
(II) Has the Company implemented any standard procedures, subsequent measures after carrying out an investigation, and confidentiality measures for handling reported misconduct?	V		(II) "Whistleblowing, Protection and Exemptions" are stipulated in Chapter 7 of the Company's "Code of Ethical Conduct for Employees".	None
(III) Has the Company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident?	V		(III) "Whistleblowing, Protection and Exemptions" are stipulated in Chapter 7 of the Company's "Code of Ethical Conduct for Employees".	None
IV. Strengthening of information disclosure				
Does the Company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	V		(I) The Company's "Ethical Corporate Management Best Practice Principles" is disclosed on its official website ( <a href="http://www.cmmt.com.tw">www.cmmt.com.tw</a> ) for employees to review/download at any time. Additionally, related information is also disclosed on the Company's website or on MOPS as per legal requirements, achieving the facilitation effect.	None
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practice and any deviations from the code of conduct: None.				
VI. Other material information that helps to understand the practice of ethical management of the Company: (e.g., the review and revision of the best-practice principles of the Company in ethical management): The Company operates with integrity and has formulated the "Codes of Ethical Conduct for Directors (Including Independent Directors) and Managerial Officers" and "Code of Ethical Conduct for Employees". On April 26, 2011, May 12, 2011, and November 11, 2015, the Company's board of directors passed the "Ethical Corporate Management Best Practice Principles", the "Corporate Governance Best Practice Principles", and the "Procedures for Ethical Management and Guidelines for Conduct", respectively. The implementation status is periodically reported to the board of directors. The above codes clearly stipulate the policy and practice of ethical management in the Articles of Incorporation and external documents to achieve the effect that the board of directors and the <u>Company's personnel (directors, managerial officers, employees and persons with substantial control over the Company or the organization)</u> are doing their utmost in implementing the management policy commitments.				

(VII) The Corporate Governance Code and related regulations and how to access them: Rules and regulations related to corporate governance including "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Procedure for Transactions between Enterprise Groups, Specified Companies and Related Parties", "Rules of Procedure for Shareholders Meetings", "Codes of Ethical Conduct for Directors (Including Independent Directors) and Managerial Officers", "Rules Governing the Scope of Powers of Independent Directors". "Rules of Procedure for the Board of Directors", "Audit Committee Charter", "Code of Ethical Conduct for Employees", "Procedures for Handling Material Inside Information", "Ethical Corporate Management Best Practice Principles", "Employee Integrity Commitment", "Declaration of Integrity for Suppliers", "Supplier Social Responsibility and Integrity Commitment", and "Procedures for Ethical Management and Guidelines for Conduct" formulated by the Company are disclosed on the Company's website in the "Corporate Social Responsibility" section.

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance: None.

(IX) Internal Control System and Its Implementation:

1. Internal Control System: Please refer to page 47.
2. If an accountant is entrusted to perform a special audit on the internal control system, the audit report shall be disclosed: None.

# Cheng Mei Materials Technology Corp.

## The Declaration of Internal Control

Date: March 12, 2021

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2020:

1. The Company understands it is the responsibility of the Company's management to have an internal control system established, enforced, and maintained; the Company has already established this system. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. 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 has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the "Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by the "Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to the "Regulations" for the details of the said items.
4. The Company has adopted the above judgment items of the internal control system to assess the design and operating effectiveness of the internal control system.
5. Based on the findings of the evaluation, the Company believes that, as of December 31, 2020, its internal control system (including supervision and management of subsidiaries) as well as monitoring the achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness and transparency of the reporting and compliance with applicable laws and regulations etc. were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
6. The Declaration of Internal Control is the content of our annual report and prospectus for the information of the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. The declaration has been passed by board in the meeting held on March 12, 2021, with all 5 attending directors affirming the content of the declaration.

Cheng Mei Materials Technology Corp.

Chairman: Ho Jau-Yang

President: Lo Lai-Huang

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None

(XI) Material resolutions and their implementation of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

Number	Date	Meeting Summary	Meeting Name	Objections or reservations by directors or independent directors
1	2020-01-31	<ol style="list-style-type: none"> <li>1. Motion for the Company's application for extension of debt negotiation.</li> <li>2. Passed the 2020 operating budget.</li> <li>3. Settling matters associated with the 2020 annual general meeting.</li> <li>4. The Company's independent expert opinion of the loss of control over Kunshan CMMT.</li> <li>5. Motion to pursue endorsements/guarantees made by the Company on behalf of the investment company "Kunshan CMMT".</li> <li>6. Motion to pursue the Company's investment company, capital increase Kunshan CMMT to introduce a new investor, Hefei Beicheng II Optoelectronics Industry Investment Partnership (limited partnership) for capital increase.</li> </ol>	Board of Directors	<p>Legal Representative of Beyondpv Co., Ltd. Ye Wei-Ping: (Motion 2) Objected</p> <p>Legal representative of Innolux Corporation Liu Chao-Hsien: (Motion 5, Motion 6) Objected</p> <p>Independent director Chen Yen-Sung abstained: (Motion 6)</p> <p>The Company stated the opinion of an external lawyer regarding the validation on the resolution made by the board of directors on November 27, 2019. If it was resolved to be valid, there was no need for the board to pursue, therefore, the motion was abstained.</p>
2	2020-03-18	<ol style="list-style-type: none"> <li>1. Motion for the appointment of the chief accounting officer.</li> <li>2. Motion for the 2019 business report and financial statements.</li> <li>3. Motion for 2019 profit and loss appropriation.</li> <li>4. Motion for the intention to not proceed with the issuance of common stock by public offering or private placement, or the issuance of new shares to participate in global depository receipts, or the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds).</li> <li>5. Motion for the issuance of common stock, or the issuance of new shares to participate in global depository receipts, the issuance of common stock by private placement, or the issuance of overseas or</li> </ol>	Board of Directors	<p>Legal Representative of Beyondpv Co., Ltd. Ye Wei-Ping: (Motion 2) Abstained.</p> <p>All directors present voted to exclude Motion 8 from the shareholders'</p>

Number	Date	Meeting Summary	Meeting Name	Objections or reservations by directors or independent directors
		<p>domestic convertible bonds (including guaranteed or unsecured convertible bonds).</p> <p>6. Motion for amendments to “Operating Procedures for Loaning Funds to Others”.</p> <p>7. Motion for amendments to “Operating Procedures for Endorsements/Guarantees”.</p> <p>8. Motion for reviewing the right to accept shareholder proposals.</p> <p>9. Amendments to matters associated with the 2020 annual general meeting.</p> <p>10. Motion to pursue the application for credit lines from various banks and leasing companies.</p> <p>11. Motion for the 2019 the “Effective Inspection of the Internal Control System” and the “Declaration of Internal Control ”.</p> <p>12. Motion for amendments to the “Audit Committee Charter”.</p> <p>13. Motion for amendments to the “Remuneration Committee Charter”.</p>		meeting agenda
3	2020-04-30	<p>Report Item</p> <p>1. 2019 business report.</p> <p>2. 2019 audit report of the audit committee.</p> <p>3. Report on the process of “the issuance of common stock by public offering or private placement, or the issuance of new shares to participate in global depositary receipts, or the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds)” resolved by the 2019 annual general meeting.</p> <p>4. Endorsement/guarantee report.</p> <p>5. Report on the reason why the shareholders’ proposal was not included in the motion.</p> <p>Acknowledgement</p> <p>1. Motion for the 2019 business report and financial statements.</p> <p>2. Motion for 2019 profit and loss appropriation.</p> <p>Discussion</p> <p>1. Motion for the issuance of common stock by public offering or private placement, or the issuance of new shares to participate in global depositary receipts, or the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds).</p> <p>Implementation: In consideration of the capital market conditions, it was intended to not to proceed with the aforementioned capital increase.</p> <p>2. Motion for amendments to “Operating Procedures for Loaning Funds to Others”.</p> <p>Implementation: Announced on the Company’s website on April 30, 2020, and has been handled in accordance with procedures after the amendment.</p> <p>3. Motion for amendments to “Operating Procedures for Endorsements/Guarantees”.</p> <p>Implementation: Announced on the Company’s website on April 30, 2020, and has been handled in accordance with procedures after the amendment.</p> <p>Provisional motion</p> <p>1. Attorney He Heng-Chen was appointed as the inspector to inspect and pursue the legal responsibility of the former independent director Chen Yen-Sung, and CFO Chen Wen-Chin, for involvement in joint corporate profits, violation of competition prohibition and execution of business.</p> <p>Implementation: Reported on the board of directors’ meeting held on March 12, 2021, and its inspection report has been submitted to the 2021</p>	Shareholders’ Meeting	Not applicable

Number	Date	Meeting Summary	Meeting Name	Objections or reservations by directors or independent directors
		annual general meeting.		
4	2020-05-07	<ol style="list-style-type: none"> <li>1. Passed the motion for the Company's consolidated financial statements for 2020 Q1.</li> <li>2. Provided a loan of RMB93,453 thousand and US\$3 thousand to the related party - Kunshan CMMT, through the Company.</li> <li>3. Provided a loan of RMB40,015 thousand to the related party - Kunshan CMMT. through the Company's subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd.</li> <li>4. Passed the motion for loaning funds for the subsidiary CMVT.</li> <li>5. Improvement plan for the limit of loaning of funds.</li> <li>6. Motion to pursue the termination of the endorsement/guarantee of Cheng Hui Trading Co., Ltd.</li> <li>7. Motion for the intention to apply for credit lines from various banks.</li> <li>8. Motion for the change of spokesperson and acting spokesperson.</li> <li>9. Motion for the change of the chief financial officer.</li> <li>10. Motion for the appointment of remuneration committee members.</li> <li>11. Motion for the intention to carry out capital reduction to make up for losses and cash capital increase of the subsidiary CMVT.</li> <li>12. Motion for evaluation of independence and appropriateness of the Company's CPAs</li> <li>13. Motion to discuss the adjustment of remuneration to directors (including independent directors).</li> </ol>	Board of Directors	None
5	2020-07-13	<ol style="list-style-type: none"> <li>2. Motion for the participation in the first cash capital increase in 2020 for the subsidiary CMVT.</li> <li>3. Motion to resume remuneration to directors (including independent directors).</li> </ol> Provisional motion <ol style="list-style-type: none"> <li>1. Key audit items regarding the financial statements of Kunshan CMMT.</li> </ol>	Board of Directors	None
6	2020-08-10	<ol style="list-style-type: none"> <li>1. Passed the motion for the Company's consolidated financial statements for 2020 Q2.</li> <li>2. Motion for amendments to the "internal control system".</li> <li>3. Motion for the approval of the seal custodian for the Company's Economic Department.</li> <li>4. Matters pending resolution by the board of directors for the invested company Kunshan CMMT.</li> <li>5. Amendments to the corrective plan for Kunshan CMMT regarding the limit of endorsements/guarantees.</li> <li>6. Motion for passing bonuses for insiders.</li> </ol>	Board of Directors	None
7	2020-08-26	<ol style="list-style-type: none"> <li>1. Motion for the intention to carry out the second capital reduction to make up for losses and cash capital increase of the subsidiary CMVT in 2020.</li> </ol>	Board of Directors	None
8	2020-09-04	<ol style="list-style-type: none"> <li>1. Motion for the intention to apply for credit lines from various banks.</li> </ol>	Board of Directors	None
9	2020-09-30	<ol style="list-style-type: none"> <li>1. Matters pending resolution related to the "Stock System Reform" of the invested company Kunshan CMMT.</li> <li>2. Motion for the offset of monetary debts for the subsidiary Cheng Hui Investment Co., Ltd.</li> <li>3. Motion for the offset of monetary debts for the subsidiary Cheng Hui Trading Co., Ltd.</li> <li>4. Motion for the intention to apply for credit lines from various banks and leasing companies.</li> </ol>	Board of Directors	None

Number	Date	Meeting Summary	Meeting Name	Objections or reservations by directors or independent directors
10	2020-11-06	<ol style="list-style-type: none"> <li>1. Passed the motion for the Company's consolidated financial statements for 2020 Q3.</li> <li>2. Motion for the establishment of the Operating Procedures for Loaning Funds to Others for the wholly-owned sub-subsidiary "Mao Fong Group Co., Ltd."</li> <li>3. Motion for loaning funds to the Company from the wholly-owned sub-subsidiary "Mao Fong Group Co., Ltd."</li> <li>4. Motion for the appointment of the Company's presidents.</li> <li>5. Motion for remuneration to the Company's chairperson.</li> <li>6. Motion for the lifting of competition prohibition between managerial officers.</li> </ol>	Board of Directors	None
11	2020-12-18	<ol style="list-style-type: none"> <li>1. Passed the 2021 operating budget.</li> <li>2. Passed motion for the "Organizational Chart Change".</li> <li>3. motion for amendments to "Procedures for Supervision of Subsidiaries"</li> <li>4. Matters pending to be resolved by the 2020 4th meeting of the board of directors for Kunshan CMMT.</li> <li>5. Amendments to the corrective plan for Kunshan CMMT regarding the limit of endorsements/guarantees.</li> <li>6. Motion for the Company's application for extension of debt negotiation.</li> <li>7. Motion to pursue the application for credit lines from leasing companies.</li> <li>8. Passed the motion for the "2021 audit plan".</li> <li>9. Motion for amendments to the "internal control system" and "Authorization Chart".</li> <li>10. Motion for amendments to the "Audit Committee Charter".</li> <li>11. Motion for amendments to the "Corporate Governance Best-Practice Principles".</li> <li>12. Motion for amendments to the "Rules Governing the Scope of Powers of Independent Directors".</li> <li>13. Motion for amendments to the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managerial Officers".</li> <li>14. Motion for the appointment of the Company's chief corporate governance officer.</li> <li>15. Motion for the appointment of managerial officers for significant subsidiaries.</li> <li>16. Motion for the appointment of insiders.</li> <li>17. Motion for the review and adjustment of remuneration to the Company's insiders.</li> <li>18. Motion for passing bonuses for insiders.</li> <li>19. Motion for the lifting of competition prohibition between managerial officers.</li> </ol>	Board of Directors	None
12	2021-01-29	<ol style="list-style-type: none"> <li>1. Motion for amendments to the Articles of Incorporation.</li> <li>2. Motion for a by-election of all directors.</li> <li>3. Motion for the board of directors to nominate candidates for the election of directors.</li> <li>4. Motion for the lifting of competition restriction between new directors and their representatives.</li> <li>5. Motion for the intention to not proceed with "issuance of common stock by public offering or private placement, or the issuance of new shares to participate in global depositary receipts, or the issuance of overseas or domestic convertible bonds (including guaranteed or unsecured convertible bonds)".</li> </ol>	Board of Directors	None

Number	Date	Meeting Summary	Meeting Name	Objections or reservations by directors or independent directors
		<ul style="list-style-type: none"> <li>6. Motion for amendments to the “Rules of Procedure for Shareholders Meetings”.</li> <li>7. Motion for amendments to the “Rules of Procedure for the Board of Directors”</li> <li>8. Motion for the formulation of the “Regulations Governing the Board Performance Evaluation”.</li> <li>9. Convening of matters associated with the 2021 annual general meeting.</li> <li>10. Motion for the intention to pass the acquisition of equity interest of ShenzhenSAPO Photoelectric Co., Ltd. of the Company’s investment company Hengmei and related transactions, while authorizing the chairperson of Hengmei to sign related agreements.</li> <li>11. Motion for the intention to pass the matters pending resolution for the Company’s investment Hengmei.</li> <li>12. Motion to pursue the application for credit lines from various banks.</li> </ul>		
13	2021-02-02	<ul style="list-style-type: none"> <li>1. Resolution of amendments to Motion 5 for “the intention to pass the acquisition of equity interest of ShenzhenSAPO Photoelectric Co., Ltd. of the Company’s investment company Hengmei and related transactions, while authorizing the chairperson of Hengmei to sign related agreements” on the 21st board meeting of the 7th board held on January 29, 2021.</li> </ul>	Board of Directors	None
14	2021-03-12	<ul style="list-style-type: none"> <li>1. Motion for the 2020 business report and financial statements.</li> <li>2. Motion for 2020 profit and loss appropriation.</li> <li>3. Motion for amendments to the Articles of Incorporation.</li> <li>4. Motion for amendments to the “Procedures for Acquisition or Disposal of Assets”.</li> <li>5. Motion for amendments to the “Procedure for Transactions between Enterprise Groups, Specified Companies and Related Parties”.</li> <li>6. Motion for the issuance of new restricted employee shares.</li> <li>7. Motion for reviewing the right to accept shareholder proposals.</li> <li>8. Motion for the passing of the “Qualification Examination of Director Candidates”.</li> <li>9. Amendments to matters associated with the 2021 annual general meeting.</li> <li>10. Motion for the termination of the trade financing line of RMB300 million for providing endorsements/guarantees to “Hengmei”.</li> <li>11. Matters pending resolution for the Company’s investment Hengmei for discussion.</li> <li>12. Motion to establish the “Legal Document Review and Seal for the Authorization Chart”.</li> <li>13. Motion for the 2020 the “Effective Inspection of the Internal Control System” and the “Declaration of Internal Control”.</li> <li>14. Motion for amendments to the 2021 “audit plan”.</li> <li>15. Motion for amendments to the “internal control system”.</li> <li>16. Motion for evaluation of independence and appropriateness of the Company’s CPAs</li> <li>17. Motion for the review and formulation of the Company’s 2021 annual remuneration policy, system, criteria and structure for managerial officers.</li> </ul>	Board of Directors	None

(XII) A director or independent director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written

declaration during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: Yes, please refer to (XI).

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer, as the following table:

March 25, 2021

Title	Name	Date of taking office	Termination/Resignation Date	Reason
President	Ho Jau-Yang	April 26, 2019	November 6, 2020	The board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairman Ho Jau-Yang no longer served as the Company's president.
Chief Financial Officer	Chen Wen-Chin	July 12, 2019	April 1, 2020	Due to restructuring, vice executive president, Lien Wei-Chung was appointed.
Chief Accounting Officer	Hsu Shih-En	February 13, 2017	February 20, 2020	Resigned due to personal career planning; vice executive president, Lien Wei-Chung was appointed as the chief accounting officer.
Chief R&D Officer	Wang Chien-Chih	July 12, 2019	March 12, 2021	Retired.

## V. Information on CPAs:

### (I) Information on CPA professional fees:

#### 1. Name of the CPA firm:

Name of the accounting firm:	CPA name		Audit period	Remark
PwC Taiwan	Liu Tzu-Meng	Wu Chien-Chih	2020-01-01–2020-12-31	None

#### 2. CPA fee:

December 31, 2020; amount unit: NT\$ thousand

Name of the accounting firm:	CPA name	Audit fee	Non-audit fee					CPA audit period	Remark
			System design	Business registration	Human resources	Other	Sub-total		
PwC Taiwan	Liu Tzu-Meng	5,194	Not applicable	0	Not applicable	1,964	1,964	2020-01-01–2020-12-31	

#### 3. Range table of CPA fees:

December 31, 2020; amount unit: NT\$ thousand

Fee item		Audit fee	Non-audit fee	Total
Amount range				
1	Below NT\$2,000 thousand		1,964	1,964
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand			
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand		5,194	5,194
4	NT\$6,000 thousand (inclusive) - NT\$8,000			

	thousand			
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand			
6	NT\$10,000 thousand (inclusive) or more		-	

(II) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any associate of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

The amount of non-audit fees of PwC Taiwan totaled NT\$1,964 thousand - NT\$912 thousand for bond agreements, NT\$450 thousand for the transfer pricing report, and NT\$602 thousand for others.

(III) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons: Not applicable.

(IV) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: The audit fees of year 2020 decreased NT\$ 1,946 thousand comparing to year 2019, and the reduction rate was 27.25%. The main reason was the audit fees of 2019 included the audit fee of restated financial report of 2018.

(V) Evaluation of CPAs' independence: The Company's audit committee evaluates the independence of CPAs on a regular basis; the evaluation result is reported to the board of directors' meeting.

VI. Information on change in CPA: Board of directors' approval date (date of occurrence)-2018-07-31; 2019-04-29.

(I) Regarding the former CPA

Date of Change	April 29, 2019		
Date of and reason for the change	In line with the internal organizational restructuring of PwC Taiwan, the auditing of the 2019 financial statements was carried out by PwC's Liu Tzu-Meng and Wu Chien-Chih.		
A description of whether the CPA or the appointer terminated or discontinued the engagement		PwC	CPA
	Situation		Appointer
	Terminated the appointment	-	-
Discontinued the engagement	-	-	
If the former CPA issued an audit report during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason.	None		
Different opinion from the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Other
	None	V	
Description			

Other matters to be disclosed (Article 10, Paragraph 6, Item 1-4 to Item 1-7 of the Guidelines should be disclosed)	None
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(II) . Regarding the successor CPA

Name of the accounting firm	PwC Taiwan
Name of the accounting firm	Liu Tzu-Meng, Wu Chien-Chih
Date of Appointment	July 31, 2018
If prior to the formal engagement of the successor CPA, regarding the accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the financial report, the issues that were the subjects of those consultations and the consultation results	None
Written opinion of the successor CPA on matters on which the former CPA disagreed	None

(III). The former accountant's response to Article 10, Paragraph 6, Item 1 and Item 2(3) of the Guidelines: Not applicable.

VII. Where the Company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director (including independent directors), supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(I) Changes in the shareholdings of directors (including independent directors), managerial officers and major shareholders:

Unit: Share

Title	Name	2020		Current year ending March 25	
		Gain (Loss) in Shares Held	Gain (Loss) in Shares Pledged	Gain (Loss) in Shares Held	Gain (Loss) in Shares Pledged
Chairperson and president	Ho Jau-Yang (Note 1)	745,593	-	-	-
Corporate Director	Beyondpv Co., Ltd.	-	-	-	-
Corporate Director Representative	Yeh Wei-Ping (Note 2)	-	-	Not applicable	Not applicable
Corporate Director Representative	Lu Wei-Lun	-	-	-	-
Corporate Director Representative	Chen Chi-Wen (Note 2)				
Corporate Director	Innolux Corporation (Note 3)	-	-	Not applicable	Not applicable
Corporate Director Representative	Liu Chao-Hsien (Note 3)	-	-	Not applicable	Not applicable
Independent Director	Liu Wei-Ting	-	-	-	-
Independent Director	Chen Yen-Sung (Note 4)	-	-	Not applicable	Not applicable
Independent Director	Huang Kuo-Shih	-	-	-	-
President	Lo Lai-Huang (Note 1)	4,000		19,000	
Executive Vice President/Chief Finance and Accounting Officer	Lien Wei-Chung (Notes 5 & 7)	502,234	(200,000)	15,000	-
Vice President	Wang Chien-Chih (Note 8)	-	-	-	-
Vice President/Chief Financial Officer	Chen Wen-Chin (Note 5)	-	-	Not applicable	Not applicable
Assistant Manager	Hung Yu-Li	-	-	238,681	
Assistant Manager	Sheng Hai-Tien (Note 6)	Not applicable	Not applicable		
Assistant Manager	Ho Yu-Lin (Note 6)	Not applicable	Not applicable	10,000	
Chief Accounting Officer	Hsu Shih-En (Note 7)	-	-	Not applicable	Not applicable

- The Company's board of directors approved the appointment of Lo Lai-Huang as the president on November 6, 2020; the chairperson Ho Jau-Yang no longer served as the Company's president.
- Beyondpv Co., Ltd. appointed a new representative Chen Chi Wen on June 22, 2020; the original representative Ye Wei-Ping was relieved of his post.
- The representative of Innolux Corporation Liu Chao-Hsien resigned on May 6, 2020.
- Independent director Chen Yen-Sung resigned on March 17, 2020.
- On April 1, 2020, Chen Wen-Chin was relieved of his post as chief financial officer due to the Company's internal restructuring; on May 7, 2020, it was resolved by the board of directors to appoint executive vice president Lien Wei-Chung as chief financial officer.
- On the board meeting held on December 18, 2020, the following matters were resolved:
  - Sheng Hai-Tien was appointed as the assistant manager of the Operations and Management Center, effective from January 1, 2021.
  - He Yu-Lin was appointed as the assistant manager of the Business Center, effective from January 1, 2021.
- On February 20, 2020, Hsu Shih-En resigned as chief accounting officer; on March 18, 2020, it was resolved by the board of directors to appoint Lien Wei-Chung as chief accounting officer.
- Wang Chien-Chih retired on March 12, 2021.

(II) Information on transfer of equity interests to related parties:

Name (Note 1)	Reasons for Transfer of Equity (Note 2)	Trading Date	Trading Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers and shareholders holding 10 percent or more of the shares	Number of Shares	Trading Price
Ho Yu-Lin	Gift	2020-06-14	Chiu Yu-Fen	Spouse	360,000	7.72
Ho Jau-Yang	Gift	2020-06-14	Tung Ya-Fen	Spouse	1,000,000	7.72
Ho Jau-Yang	Gift	2020-06-14	He Yu-Chieh	Child	250,000	7.72

Note 1: Names of directors, supervisors, managerial officers and shareholders holding 10 percent or more of the shares are listed.

Note 2: Acquisition or disposal.

(III) Information on equity interests of pledge to related parties: None.

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

March 2, 2021 / Unit: shares

Name / Company and Its Representative	Shares Held by the Person Themselves		Shares Held by Spouse and Underage Children		Total shareholding in the name of others		Disclosure of names and relationships between the top ten shareholders including spouses, 2nd tier relatives or closer, or the relationships required in Statements of Financial Accounting Standards No. 6.		Remark
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name	Relationship	
							(or name)		
1 Far Eastern International Commercial Bank was entrusted with the custody of Mai-Sheng Taiwan New Materials Investment Co., Ltd.	59,271,760	8.90%	0	0.00%	0	0.00%	None	None	None
2 Innolux Corporation	57,211,305	8.59%	0	0.00%	0	0.00%	None	None	None
Representative: Hung Chin-Yang	0	0.00%	0	0.00%	0	0.00%	None	None	None
3 Ou-Chi Investment Co.	21,741,000	3.27%	0	0.00%	0	0.00%	None	None	None
4 Kan Chien-Fu	12,278,000	1.84%	4,511,000	0.68%	0	0.00%	Kan Lai Jung-Yu	Spouse	None
5 The Securities Investment Account of Morgan Stanley International under the custody of HSBC	7,478,883	1.12%	0	0.00%	0	0.00%	None	None	None
6 Kaotai Machinery Co., Ltd.	5,553,000	0.83%	0	0.00%	0	0.00%	Kan Lai Jung-Yu	Director	None
7 Ho Jau-Yang	4,865,313	0.73%	859,548	0.13%	0	0.00%	None	None	None
8 Kan Lai Jung-Yu	4,511,000	0.68%	12,278,000	1.84%	0	0.00%	Kan Chien-Fu	Spouse	None
9 Chiang Tung-Chun	3,788,000	0.57%	109,548	0.02%	0	0.00%	None	None	None
10 CTBC Bank was entrusted by the Trust Property Committee for the Employee Benefit Trust Plan of CMMT	3,755,941	0.56%	0	0.00%	0	0.00%	None	None	None

X. The total number of shares and calculated consolidated shareholding percentage held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company:

(I) A general description of companies that have been invested in the most recent fiscal year

December 31, 2020: Unit: NT\$ thousand; thousand shares

Investments in other companies (Name of the subordinate company: Note 1)	Main business	Investment shares			Book value (net equity or market value)	Accounting treatment	Return on investment for the most recent fiscal year		Number of shares held in the company	Whether there is any mutual endorsement and guarantee between the Company and subordinate companies, the capital financing and its amount
		Investment cost (amount)	Number of Shares	Shareholding Ratio			Investment income	Dividend distribution		
CMMT (Samoa)	Investment holdings	431,482	13,300	100	1,023,722	Equity method	210,235	None	13,300	None
Chi Mei Materials Technology Investment Co., Ltd.	Investment holdings	4,447,763	146,500	100	3,881,286	Equity method	178,658	None	146,500	None
Cheng Hui Investment Co., Ltd.	Investment business	151,870	15,187	100	18,627	Equity method	(3,689)	None	15,187	None
Cheng Hui Trading Co., Ltd.	Trading business	211,000	21,100	100	48,797	Equity method	(2,762)	None	21,100	None
CMVT	Electronics components manufacturing, optical instruments manufacturing, retail sale of electronic materials	289,000	6,638	22.96	66,115	Equity method	(34,347)	None	6,638	None
Ningbo CMMT (Note 2)	Polarizer cutting, visual inspection and packaging	408,510	None	100	1,023,960	Equity method	210,235	None	None	None
Hengmei (Note 2)	R&D, manufacturing and sales of polarizers	4,499,748	None	38.4	3,881,549	Equity method	178,658	None	None	3,502,344

Note 1: The term “subordinate company” refers to a company that meets the requirements stipulated in Article 369-2 and Article 369-3 of the Company Act.

Note 2: Held by CMMT (Samoa).

## (II) Consolidated shareholding ratio in the most recent fiscal year:

December 31, 2020; unit: thousand shares; %

Investments in other companies	The Company's investment		Investments by the directors, managerial officers, and companies directly or indirectly controlled by the Company		Consolidated Investment		Through a subsidiary
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	
CMMT (Samoa)	13,300	100%	None	None	13,300	100%	-
CMVT	6,638	22.96%	None	None	6,638	22.96%	-
CMVT	95	0.33%	None	None	95	0.33%	Cheng Hui Investment Co., Ltd.
Chi Mei Materials Technology Investment Co., Ltd.	None (a limited company)	None (a limited company)	None	None	None	None	-
Ningbo CMMT	None (a limited company)	None (a limited company)	None	None	None	None	CMMT (Samoa)
Hengmei	None (a limited company)	None (a limited company)	None	None	None	None	Chi Mei Materials Technology Investment Co., Ltd.
Cheng Hui Investment Co., Ltd.	15,187	100%	None	None	15,187	100%	-
Cheng Hui Trading Co., Ltd.	21,100	100%	None	None	21,100	100%	-

#### Four. Information on Capital Raising Activities

##### I. Capital and issuance of shares:

##### (I) Source of capital stock:

##### 1. Type of shares

Closing date: March 2, 2021 ; unit: thousand shares

Type of shares	Authorized share capital			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	665,729	534,271	1,200,000	The Company's stock is a listed company stock

##### 2. Formation of capital

##### (1) Formation of capital

Year/Month	Issue price (NT\$)	Authorized share capital		Paid-in capital		Remark			
		Number of shares (thousand shares)	Amount (NT\$ thousand)	Number of shares (thousand shares)	Amount (NT\$ thousand)	Source of capital stock (NT\$ thousand)	Paid in properties other than cash	Other	
May 2005	10	35,000	350,000	35,000	350,000	Establishment of share capital	None	Note 1	
November 2005	10	100,000	1,000,000	100,000	1,000,000	Cash capital increase	650,000	Note 2	
July 2006	10	250,000	2,500,000	250,000	2,500,000	Cash capital increase	1,500,000	Note 3	
November 2007	10	250,000	2,500,000	230,000	2,300,000	Capital reduction	1,000,000	None	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	Note 5	
December 2009	12.5	500,000	5,000,000	385,000	3,850,000	Cash capital increase	1,000,000	Note 6	
May 2010	10	500,000	5,000,000	419,650	4,196,500	Profit	346,500	Note 7	
October 2011	15.7	500,000	5,000,000	443,170	4,431,700	Cash capital increase	235,200	Note 8	
August 2012	23	500,000	5,000,000	491,170	4,911,700	Cash capital increase	480,000	Note 9	
September 2014	10	600,000	6,000,000	515,729	5,157,285	Profit	245,585	Note 10	
September 2017	13	700,000	7,000,000	665,729	6,657,285	Cash capital increase to participate in global depository receipt issuance	1,500,000	Note 11	
August 2019	10	1,200,000	12,000,000	665,729	6,657,285	Change in authorized capital	None	Note 12	

Note 1: Approved by the Letter Jing-Shou-Shang-Zi No. 09432129860 issued by the Ministry of Economic Affairs on 2005-05-17.

Note 2: Approved by the Letter Jing-Shou-Shang-Zi No. 09401234500 issued by the Ministry of Economic Affairs on 2005-11-28.

Note 3: Approved by the Letter Jing-Shou-Shang-Zi No. 09501140250 issued by the Ministry of Economic Affairs on 2006-07-07.

Note 4: Approved by the Letter Jing-Shou-Shang-Zi No. 09601280820 issued by the Ministry of Economic Affairs on 2007-11-19.

Note 5: Approved by the Letter Jing-Shou-Shang-Zi No. 09701137240 issued by the Ministry of Economic Affairs on 2008-06-12.

Note 6: Approved by the Letter Jing-Shou-Shang-Zi No. 09801284260 issued by the Ministry of Economic Affairs on 2009-12-17.

Note 7: Approved by the Letter Jing-Shou-Shang-Zi No. 09901132820 issued by the Ministry of Economic Affairs on 2010-06-29

Note 8: Order Jin-Guan-Zheng-Fa-Zi No. 1000038081 issued by the Financial Supervisory Commission of the Executive Yuan on 2011-08-16. Approved by the Letter Jing-Shou-Shang-Zi No. 10001253860 issued by the Ministry of Economic Affairs on 2011-11-04.

Note 9: Order Jin-Guan-Zheng-Fa-Zi No. 1010026539 issued by the Financial Supervisory Commission of the Executive Yuan on 2012-

06-21. Approved by the Letter Jing-Shou-Shang-Zi No. 10101190820 issued by the Ministry of Economic Affairs on 2012-09-17.  
 Note 10: Order Jin-Guan-Zheng-Fa-Zi No. 1030026619 issued by the Financial Supervisory Commission of the Executive Yuan on 2014-07-14. Approved by the Letter Jing-Shou-Shang-Zi No. 10301180400 issued by the Ministry of Economic Affairs on 2014-09-03.  
 Note 11: Order Jin-Guan-Zheng-Fa-Zi No. 1060008354 issued by the Financial Supervisory Commission of the Executive Yuan on 2017-03-30. Approved by the Letter Jing-Shou-Shang-Zi No. 10601137520 issued by the Ministry of Economic Affairs on 2017-09-30.  
 Note 12: Approved by the Letter Jing-Shou-Shang-Zi No. 10801117980 issued by the Ministry of Economic Affairs on 2019-08-23.

3. Information about the general reporting system: None.

(II) Shareholder structure:

Closing date: March 2, 2021

Number \ Shareholder Structure	Government agency	Financial institution	Other legal entities	Individual	Foreign institutions and foreigners	Total
Number of people	0	7	197	47,813	80	48,097
Number of shares held	0	7,199,546	97,953,566	476,103,868	84,471,520	665,728,500
Shareholding Ratio	0.00%	1.08%	14.71%	71.52%	12.69%	100.00%

(III) Diffusion of ownership:

Closing date: March 2, 2021

Shareholding level	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 - 999	15,768	781,721	0.12%
1,000 - 5,000	20,440	49,440,154	7.43%
5,001 - 10,000	5,550	47,733,628	7.17%
10,001 - 15,000	1,487	19,194,275	2.88%
15,001 - 20,000	1,479	28,262,974	4.25%
20,001 - 30,000	1,024	27,259,124	4.09%
30,001 - 40,000	527	19,487,310	2.93%
40,001 - 50,000	432	20,572,690	3.09%
50,001 - 100,000	775	58,703,050	8.82%
100,001 - 200,000	319	45,951,435	6.90%
200,001 - 400,000	159	44,964,090	6.75%
400,001 - 600,000	49	24,668,094	3.71%
600,001 - 800,000	23	16,398,150	2.46%
800,001 - 1,000,000	17	15,539,524	2.33%
More than 1,000,001	48	246,772,281	37.07%
Total	48,097	665,728,500	100.00%

(IV) List of major shareholders: Including shareholders holding 5% or more of the shares or names, numbers of shareholding and ratio of the top 10 shareholders:

Closing date: March 2, 2021 ; Unit: Shares

Name of major shareholder\Shares	Number of shares held	Shareholding ratio
Far Eastern International Commercial Bank was entrusted with the custody of Mai-Sheng Taiwan New Materials Investment Co., Ltd.	59,271,760	8.90%

Innolux Corporation	57,211,305	8.59%
Ou-Chi Investment Co.	21,741,000	3.27%
Kan Chien-Fu	12,278,000	1.84%
The Securities Investment Account of Morgan Stanley International under the custody of HSBC	7,478,883	1.12%
Kaotai Machinery Co., Ltd.	5,553,000	0.83%
Ho Jau-Yang	4,865,313	0.73%
Kan Lai Jung-Yu	4,511,000	0.68%
Chiang Tung-Chun	3,788,000	0.57%
CTBC Bank was entrusted by the Trust Property Committee for the Employee Benefit Trust Plan of CMMT	3,755,941	0.56%

(V) Provide share prices for the most recent 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information:

Unit: thousand shares; NT\$ thousand

Item		Year		Current year as of March 25, 2021 (Note 8)
		2019	2020	
Market price per share (Note 1)	Highest	14.45	12.75	13.10
	Lowest	6.00	3.73	10.50
	Average	9.59	8.02	11.34
Net value per share	Before distribution	14.51	14.45	-
	After distribution	Note 2	Note 2	-
Earnings per share	Weighted average shares	665,729	665,729	665,729
	Earnings per share (Note 3)	-1.03	-0.13	-
Dividends per share	Cash dividends	Note 2	註 2	-
	Bonus shares	-	-	-
		-	-	-
	Accumulated unpaid dividends (Note 4)	-	-	-
Return on investment analysis	P/E ratio (Note 5)	-7.09	-61.69	-
	P/E ratio (Note 6)	Note 2	Note 2	-
	Dividend yield (Note 7)	Note 2	Note 2	-

\* If there is a surplus or capital reserve to increase capitalization for distributing shares, the market price and cash dividend information adjusted retrospectively based on the number of shares to be issued shall be disclosed.

Note 1: The highest and lowest market prices of common stocks for each year are listed, and are calculated on the basis of the annual transaction value and volume.

Note 2: In 2020, the Company suffered a net loss of NT\$85,555,053, after being approved by the audit committee and board of directors' meeting held on March 18, 2020, there would be no distribution of remuneration to directors, employees, or earnings distribution. Such matter will be submitted to the annual general meeting.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note 6: Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note 8: The data of net worth per share and earnings per share shall be based on the most recent quarter numbers audited by CPAs as of the printed date of the annual report; the remaining columns shall list the current year's data as of the publication date of the annual report.

(VI) The Company's dividend policy and implementation thereof:

1. The company's dividend policy stipulated in the Articles of Incorporation

If there is a surplus after account settlement of the fiscal year, the Company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, however, if the legal reserve has reached the Company's paid-in capital amount, it shall not be classified, and the remaining legal reserved shall be classified according to the laws and regulations or shall be reserved as special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the board subject to the final approval of the annual general meeting.

The Company's dividend policy is based on the Company's current and future development plans, while also taking into consideration of the investment environment, capital needs and domestic and international competition status, as well as the interests of shareholders. Each year, no less than 20% of the distributable earnings is allocated as dividends to shareholders; however, if the accumulated distributable earnings are less than 50% of the paid-in capital, they will not be allocated for distribution.

Dividends to common stockholders may be paid in a combination of cash and stock. Cash dividends may not be less than 10% of the total dividends distributed to common stockholders.

2. Dividend distribution proposed on the most recent shareholders' meeting:

Due to the fact that the Company suffered a net loss of NT\$85,555,053 in 2020, the board of directors' meeting held on March 12, 2021 resolved the proposal to not distribute dividends. Such proposal is subject to approval by the 2021 annual general meeting.

3. Whether there is any material change in the expected dividend policy: None.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

In accordance with Letter No. Tai-Cai-Zheng(1) 00371 dated February 1, 2000, the Company did not prepare and announce the financial forecast information for 2021. It is therefore not applicable.

(VIII) Remuneration to employees and directors (independent directors):

1. The percentages or ranges of employee and director (including independent director) remuneration, as set forth in the Company's Articles of Incorporation:

The Company shall set aside no less than 2% of the annual profits for remuneration to employees. The remuneration is distributed in the form of stock or cash by resolution of the board of directors, to employees of the Company who meet certain criteria. Its specific method is authorized to the board of directors for determination. The Company may set aside no more than 1% of the profits stated above as remuneration to directors by resolution of the board of directors. Remuneration distribution of employees and directors shall be proposed at the shareholders' meeting. Profits must first be set aside to make up for losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages. If remuneration to employees is paid through issuing new shares, the number of employee stock remuneration is converted in accordance with the current regulations.

The so-called "profit" is income before income taxes less remuneration to employees, which is distributed in one lump-sum.

2. The accounting of the difference between the estimates of remuneration to employees and directors (including independent directors), the basis for the calculation of outstanding shares for dividend payment and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

If there is a difference between the estimates, it is treated as a change in accounting estimate which is adjusted in the following year.

3. Information on the proposed remuneration to employees passed by the board of directors:

①: The amount of remuneration to and directors and supervisors distributed in cash or stock. If there is a difference between the estimates in the year in which the expense is recognized, the amount, the reason and the treatment for the difference shall be disclosed:

Not applicable as the Company suffered a net loss in 2020, it therefore did not allocate remuneration to employees and directors/supervisors.

②: The amount of any employee remuneration distributed in stock, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration:

Not applicable as the Company suffered a net loss in 2020, it therefore did not allocate remuneration to employees and directors/supervisors.

4. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

Not applicable as the Company suffered a net loss in 2020, it therefore did not allocate remuneration to employees and directors/supervisors.

(IX) Status of the Company repurchasing its own shares: None

II. The Company's handling of corporate bonds: None.

III. The Company's preferred stocks: None.

IV. Global Depository Receipts:

Date: March 25, 2021

Issue (Processing) Date		September 15, 2017	
Item			
Issue Date	September 15, 2017		
Issuance and trading location	Singapore Exchange (SGX)		
Total amount of issuance	USD64,912,500		
Unit issue price	USD17.31		
Total number of units issued	3,750,000 units		
Source of the underlying securities evidenced	Publicly traded common stock Source of the underlying securities evidenced by the issuance of cash capital increase of the Company. 150,000,000 ordinary shares		
Number of the underlying securities evidenced	Number of the underlying securities evidenced per unit: 40 shares of the Company's common stock.		
Rights and obligations of the holders of overseas depository receipts	Same as those of the originally issued shares.		
Trustee	Not applicable.		
Depository institution	The Bank of New York Mellon		
Custodian	Mega International Commercial Bank		
Unredeemed balance	As of March 021, the outstanding balance was 2,888 units, equivalent to 115,520 shares.		
Allocation of responsibility for expenses incurred through issuance and during the period when the stocks are outstanding	Issuance costs: Borne by the issuing company Costs during the period when the stocks are outstanding: Borne by the issuing company		
Important agreed matters of depository contract and custody contract	The depository institution exercises the rights and obligations on behalf of the depository certificate holder, and the custodian institution keeps the common shares recognized by the depository certificate on behalf of the depository certificate holder.		
Market price per unit (Note)	2020	Highest	Not applicable.
		Lowest	
		Average	
	Current year as of March 25, 2021	Highest	
		Lowest	
		Average	

Note: According to the Prospectus, as this is an over-the-counter (OTC) transaction, only the unit issue price of USD17.31 can be used as a reference price.

For strengthening the operating capital or paying off liabilities, compare and describe the increase and decrease of current assets, current liabilities, total liabilities, interest payments, operating revenues, and the retained earnings per share etc. as well as financial structure analysis:

Not applicable as the Company's capital was used for "overseas material purchasing", and not for "strengthening the operating capital or paying off liabilities".

V. The status of the issuance and private placement of employee stock warrants:None.

VI. The status of new restricted employee shares: None.

VII. New shares issued upon merger and acquisition or acquisition of another company's shares: None.

VIII. Matters to be recorded regarding the capital application plan: Not applicable.

## Five. Overview of Operations

### I. Description of the business:

#### (I) Scope of business:

Main content of the Company's business:

The Company mainly engages in the business of upstream optical film materials and components for liquid-crystal displays and specializes in the area of an important optical component — polarizers. The Company's expertise also spans both dyeing technology and precision coating technology. The Company provides the market with products with economic scale and mass production efficiency through combining optical and chemical materials.

Thanks to the increasing demand of touch panels in recent years driving related components, the photo-sensitive adhesive for touch modules developed in 2011 has maintained a definite sales record.

As our diversified customers have been gradually increasing and new product applications have expanded, the Company's overall performance is expected to grow.

#### 1. Operating weight

The Company mainly engages in the business of upstream optical film materials and components for liquid-crystal displays and specializes in the area of an important optical component — polarizers. The Company's expertise also spans both dyeing technology and precision coating technology. The Company provides the market with products with economic scale and mass production efficiency through combining optical and chemical materials.

Unit: NT\$ thousand; %

Major products	Purpose	2020	
		Net operating income	Revenue proportion (%)
Polarizers	Polarizers are key components for LCD panels; they are made by using chemical and optical technology to give plastic materials polarization characteristics to display subtitles or patterns.	9,456,875	100%
Total		9,456,875	100%

#### 2. Products provided

Polarizers for TVs: The Company provides high contrast, high transmission and high-resolution polarizers for TVs ranging from 23" to 70". The Company also provides high-water resistance PET and COP products with high temperature and humidity resistance according to customers' high-end needs.

Polarizers for IT products: Covering VA, IPS and TN polarizers, as well as products with different thickness or water-resistant material according to customer needs.

Ultra-thin polarizers for small and medium-sized panels: These are applied to IPS panels and can be widely used on consumer products including, notebooks, tablets, and smartphones according to customer needs.

Polarizers for small and medium-sized OLED panels: These are applied to OLED panels as circular polarizers to achieve a true black hue used in smart bracelets and smartphones. The development of the first generation of circular polarizers for folding mobile phones has been completed, followed by the second generation of products with increased folding capacity and improved optical effects.

Polarizers with high durability for automotive market: Covering IPS and TN automotive polarizing film, the Company has developed polarizers with high weather resistance and low shrinkage characteristics to meet the needs of automotive applications.

## **(II) An overview of the industry:**

### **1. Current status and development of the industry**

Polarizers are a crucial material for upstream LCD panel components. Each LCD panel requires a total of two polarizers oriented at the top and bottom to control the light passage for forming the image. To date, within the downstream industries where polarizers are applied, large-size TFT panels are widely used in LCD TVs, LCD monitors, laptops and tablets. The trend also suggests increasing needs for larger sized products and consumer electronics such as tablets, smartphones, digital cameras, automotive carriers, as well as personal wearable devices, AR, VR, etc.

According to the estimation of Omdia, the annual growth rate of panel demand between 2020 to 2022 is approximately 4%–6%. Although after 2023, the growth of the demand will slow down, the annual growth rate is estimated at between 1%–3%. Judging by the estimates, there is a trend for continuous growth in the long run. The demand for polarizers will continue to grow in the long run. As a result, the demand for polarizers will expand in the future. It is estimated that polarizers will grow to nearly 600 million square meters in 2022 — a growth of 10% from 2020.

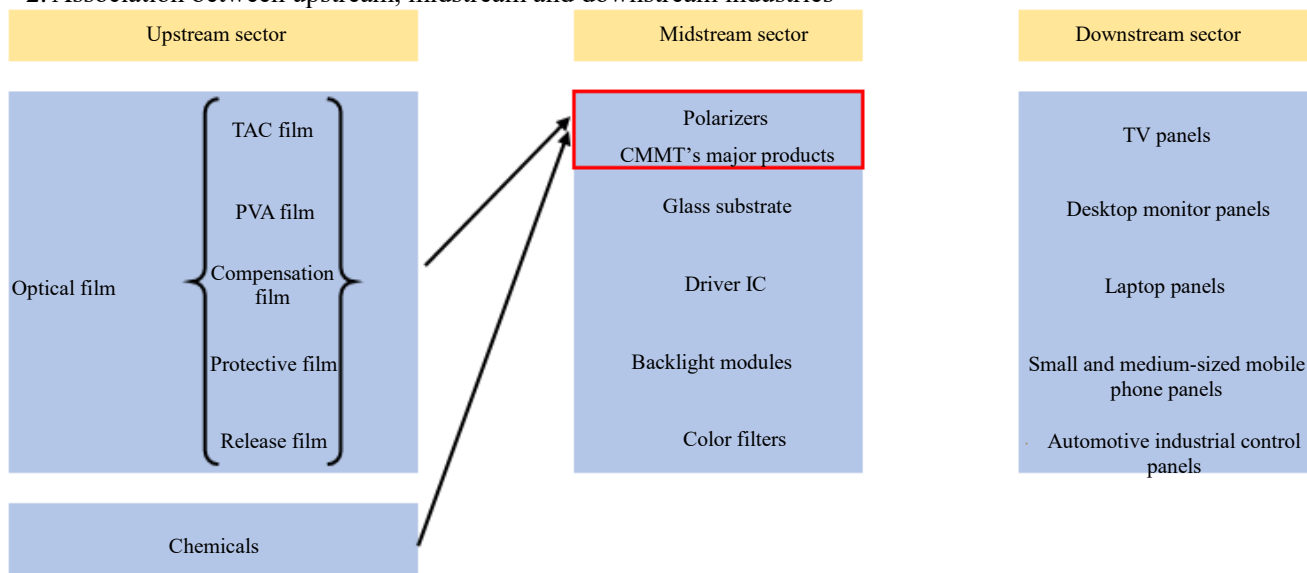
With the ongoing situation of the establishment of high-generation panel plants in China, according to Omdia's estimation, by 2022, panel production capacity in China will account for approximately 70% of the global production capacity, including Gen 8/8.5/8.6 panel plants reaching 15 and Gen 10.5 reaching 5. As a result, China will be the world's largest supplier for large-size panels. AMOLED production capacity may also grow to 40% of the global level with Gen 4.5/5.5/6 Rigid OLED reaching 5 plants and Gen 6 Flexible OLED reaching 9 plants; as such, demand for polarizers will be concentrated in China.

With the combination of the two above trends, due to the global polarizer demand, Japanese, Korean and Taiwanese polarizer makers have been proactively moving into the Chinese market. All the while, China's polarizer plants are also expanding their production capacity in order to respond to these trends. Not only do these plants continue to expand their production lines, they are also making mergers and acquisitions. By 2022, the production capacity of domestic polarizer plants in China will reach close to 40%, replacing Korean manufacturers to become the second largest in the world after Japanese manufacturers.

Compared to Chinese manufacturers proactively expanding their own production capacity, the industry leader, Japanese manufacturers, are also accelerating the manufacture of high-value products while continuing to

dominate the small-medium and automotive markets; the Korean manufacturer LG Chem, on the other hand, is planning on selling their polarizer business department, while Samsung SDI, another Korean manufacturer is not actively expanding its production; Taiwanese manufacturers also have no plans for expanding production, these approaches mainly resulting from product portfolio optimization and high value plans within their existing production capacity to prevent themselves from going into a red ocean.

## 2. Association between upstream, midstream and downstream industries



### (III) An overview of the Company's technologies and its research and development work:

As the Company's products already occupy a place in the market, in the future, not only will the Company provide stable production capacity of polarizers, but also persist in developing new products, to reach the goal of product diversification.

1. With the output growth of TV panels, large-size TV polarizing film demand also grows. In line with market demand, the production capacity is debottlenecked to adequately increase the production speed of polarizers for TVs. The Company has also been developing and producing polarizing film with high contrast ratio, high transmission, and high temperature and humidity resistance to provide customers with products that are high-quality and low-cost, increasing the CMMT's competitive advantage. As a means to achieve sustainable development, apart from bulk TV products, CMMT at the same time also increases the proportion of the development and production of high unit price products such as monitors, notebooks and mobiles.
2. Develop and produce ultra-thin polarizing film for mobile phones with features such as high contrast ratio, high transmission, low-level antenna-surface treatment for IPS.
3. Develop new formulations to improve the optical and weathering resistance properties of polarizer products.
4. Goals for research and development and process improvement that continues to raise the speed of production machinery to increase the competitiveness of the Company's products by a wide margin.
5. Improve the yield of automotive polarizer products while developing automotive compensation film that is Euro 5.0 compliant.

6. Develop and produce polarizing film for small and medium size OLEDs.

7. Continue to enhance the development of special-shaped processing technology, which includes the development of large special-shaped edge grinding machines and laser machinery processing technology.

The Company will continue to get hold of market supply and demand information and carry out research and development and production on related products according to future market demand to further achieve the objective of product diversification, hoping that the special features of the Company's products and the industry can be closely linked.

#### 1. R&D personnel and their education and experiences

Unit: person

Item \ Year	2019		2020	
	Number of people	Ratio (%)	Number of people	Ratio (%)
Master or above	32	44.45%	28	45.1%
College	33	45.83%	29	46.77%
Senior high school	7	9.72%	5	8.06%
Total		72		62
Average years of service		6.72		7.74

#### 2. R&D expenses invested each year in the last five year Unit: NT\$ thousand

Item \ Year	2016	2017	2018	2019	2020
R&D expenses (A)	338,671	440,846	449,827	459,168	191,607
Net operating income(B)	10,374,172	9,878,148	12,767,162	14,896,250	9,456,875
(A)/(B) (%)	3.26%	4.46%	3.52%	3.08 %	2.03 %

Note: Since 2015, related expenses of R&D process technicians have been classified as manufacturing expenses, and not R&D expenses.

### 3. Technologies or products successfully developed in the most recent 5 fiscal years

Year	R&D result
2015	<p>Low-bending IPS type polarizer            UV-curing type OCA            OCA integrated polarizer            EWV TYPE automotive polarizer            IPS TYPE automotive polarizer            Ultra-thin 78u IPS (20u Zero TAC) polarizer</p>
2016	<p>Taiwan Industry Innovation Platform Program (TIIP), Ministry of Economic Affairs            Development of polarizing materials for automobiles with high weather resistance and high-water resistance</p>
2017	<p>HCLR/COP VA Polarizer            Ultra-thin 98u IPS polarizer for ultra-notebooks            96u ultra-thin OLED polarizer            Ultra-high conductivity IPS 76u polarizer for INCELL DESIGN            Sunglass-free 82u small-medium polarizer            Industrial control, high temperature and humidity resistance of 85°C/85% polarizer</p>
2018	<p>PET/PK3 VA polarizer            PET/ZERO IPS polarizer            Ultra-thin 76u IPS polarizer for ultra-notebooks            Top and bottom total thickness 150u-APCF polarizing film for mobile phones            U-shape/notch shape polarizing film for mobile phones            115u true black polarizing film for OLED cell phones            IPS TYPE front mount E-MODE TYPE compensation film polarizer</p>
2019	<p>180u Double Z Frame - Polarizing film for mobile phones            TAC/PK3 industrial control high temperature resistant polarizer            MEGAZONE Special HDR (High Dynamic Range Imaging) Polarizer for TV            TAC/NR01 Polarizer for TV            190u &amp; 210u TOD type Notebook            Top/bottom total thickness 180u-APCF polarizing film for notebooks            Ultra-thin 76u IPS 300ppi high-resolution polarizer for notebooks            Borderless polarizer for IPS Ink MNT</p>
2020	<p>Water-blocking polarizing film for PET/NR01 VA            IPS viewing angle compensation film polarizer for automotive applications            IPS viewing angle compensation film polarizer for mobile phones            Special application (optical film for AR glasses)            Special shaped-laser processing polarizer (for mobile phones, cars...)            Ultra-high penetration IPS polarizer (for mobile phones, ultra-NB)            Notebook - High-end anti-peeping model 4-piece high-transmittance polarizer</p>

#### (IV) Long- and short-term business development plans:

##### 1. Short-term business development plan

###### (1) Sales strategy

- Increase customer dispersion and accelerate the expansion of customers in China
- Focus on promoting existing products to new customers to increase the proportion of profitable products
- Adjust the structure for orders and products to increase the proportion of sales of high-value products

###### (2) Production strategy

- Continue to eliminate production bottlenecks, maximize the output of existing production lines, reduce production costs, and increase product cost competitiveness.
- Continue to reduce wear and tear, resource waste and waste output through production schedule optimization.
- Introduce new raw materials in line with suppliers to reduce purchase cost.

##### 2. Long-term business development plan

**Polarizers:** Develop the latest technology products and high-quality polarizers for customers, while maintaining two-way communication about technological and market trends. From a pure production and processing operation mode, the Company will gradually transform into a solution supplier, becoming a supply partner trusted and relied on by our customers, continuing to steadily expand the market share. Our production strategy is to expand automatic production in order to reduce manpower costs and enhance availability so as to increase the competitiveness of polarizers in the market.

**New Product Development:** Develop products aside from polarizer in line with the trends in the panel industry.

#### II. Analysis of the market and the production and marketing situation:

##### (I) Market analysis:

###### 1. Major products (services) sales (provision) area

Unit: NT\$ thousand

Year		2019		2020	
		Sales amount	Ratio (%)	Sales amount	Ratio (%)
Domestic sales		3,165,325	21.25%	2,495,512	26.39%
Export sales	Asia	11,730,925	78.75%	6,961,363	73.61%
	Subtotal of export sales	11,730,925	78.75%	6,961,363	73.61%
Total		14,896,250	100%	9,456,875	100%

###### 2. Market share

Based on Omdia's research report, the 4 major polarizer makers in the world are: LG Chem, Sumitomo Chemical, Nitto Denko and Samsung SDI with a combined market share of 72%; CMMT and the investment company Kunshan Hengmei meanwhile only account for 11% of the market share, or 5% if excluding Kunshan CMMT.

###### 3. Future market supply and demand situation and growth

Compared to the oversupply situation of polarizers between 2015 and 2018, the market has improved significantly for the future. Between 2015 and 2018, there was an oversupply of 8% to 15% in the off-season and 4%-8% in the high-season. According to the current prediction of Omdia, an oversupply of 6% to 8% is expected in the off-season and no more than 4% in the high-season. There may even be a supply gap before the

market will start to return to normal.

From the perspective of the demand for future polarizers, as long as the production capacity of high generation panels continues to expand, panel supply will increase year by year. Also, due to the size of each application gradually becoming larger, the polarizer demand in the future will grow at a steady pace. Based on Omdia's research report, the annual demand for polarizers is expected to grow to nearly 590 million square meters in 2021 — a growth of nearly 5% from 2020.

From the perspective of supply, newly invested production lines are all located in China. The new production capacities include the production lines of Kunshan Hengmei's 2.5m cable and LG Chem Guangzhou's 2.6m cable which are still in a stage where the production capacity is starting to pick up. The new production capacity is expected to gradually start mass production with Shengbo's 2.5m cable in 2021 Q3, and the annual production capacity in 2021 is expected to be 610 million square meters. Taking into consideration factors such as yield, delivery and versatility, supply and demand should remain balanced in 2021.

#### 4. Competitive niche

##### (1) Experienced R&D personnel

The dyeing and extension of PVA film and the lamination of PVA film and TAC film in the polarization process will affect the overall production efficiency and quality level of the product. In terms of the design of production processes and mass production equipment, the Company's related personnel have accumulated many years of expertise and their technical skills have reached the standards of advanced manufacturers. Our R&D personnel also carries out detailed alterations in order to conform with the Company's required production process and increase production efficiency and quality. In terms of equipment design, we uphold a conservative and prudent strategy and carry out thorough evaluation, as all design considerations are based on mass production and judged by production efficiency.

In addition, not only does the Company have an outstanding R&D team, through the continuous improvement of process technologies as well as providing customers with samples based on the requirements for developing their new product for them to verify, the Company continues to improve its products and enhance the quality standards of products in a bid to increase the Company's competitiveness.

##### (2) Product and equipment development capabilities

As a crucial component in the upstream industry of panel manufacturers, the performance of polarizers in regards to their function and specification has a significant impact on the related performance and quality of the panel. Given such considerations, at the early stage of product and equipment design, polarizer manufactures must clearly understand the requirements of the panel maker to further understand what material and design are most suitable for use. However, due to the fact that there is a professional and informational gap between the panel maker and the supplier of raw materials that must be integrated as quickly as possible, the polarizer manufacturer must proactively take on the task of communication and integration. The Company has good cooperation with both upstream and downstream suppliers, and with extensive experience in quickly moving products into mass production, the Company is able to integrate the requirements and corresponding supply capabilities of raw material suppliers, polarizer manufacturers and panel makers. By taking such an approach, a consensus is reached on mutually beneficial cooperation in order to jointly facilitate the development plans of new products. By adopting this vertical integration,

the development time and cost of downstream panel makers can be shortened by a wide margin, while the time for panel makers to launch their products in the market is also shortened, significantly strengthening the competitiveness of customers' products and achieving mutual benefits.

(3) First to enter potential markets

In light of the increasing demand for polarizers in the Chinese market, the Company has been working tirelessly to develop Chinese customers. Aside from strengthening the quality of the Company's own products, the focus is also on the development and needs of customers, while at the same time developing products that meet customers' needs in line with market trends. The ultimate goal is to deepen the close partnership with customers and gain continuous orders.

5. Advantageous and disadvantageous factors for future development and policies for dealing with them

\* Advantageous factors

(1) LCD panels are still widely-used and popular in the market

LCD panels are used in a wide range of applications from LCD TVs to small and medium-sized consumer mobile devices including general mobile phones, smartphones, digital cameras and monitors. Considering that they can be used in a wide range of products, LCD panels are in large demand in the overall consumer market. Electronic products in particular are constantly evolving and new technologies often create a wave of demand. By the observation of the current market trends, LED backlight modules and 3D video and its applications will further boost the demand for LCD TVs or a new round of TV product replacements. On the other hand, large-size TVs and small and medium-sized mobile display devices, tablet computers have become the mainstream of future products, while demand in consumer electronics products is growing significantly thanks to the economic rebound. These related applications are all beneficial to continuing increase in demand for LCD panels, which indirectly drives the growth of upstream panel components, including the polarizer industry.

(2) China's proactive investment in the LCD panel industry has resulted in a surge in demand for upstream components

For polarizer manufacturers, the new production capabilities in China will be a huge market opportunity. The rapid development of LCD panel production capacity in China will drive the growth of related upstream components by a wide margin. As one of the critical components, the demand for polarizers is increasing significantly. With the investment in Kunshan Hengmei, the Company can also take part in the growth trend of the Chinese market through investment income.

(3) Long product certification time leaves new competitors out

As polarizers are a crucial component of panels, and to prevent upstream products from not meeting their established standardized specifications, panel makers will certify and control the polarizer production lines. Since the certification period is relatively long, and in order to maintain the quality of products, panel makers tend to not use materials from new suppliers. Due to domestic panel makers being an oligopolistic market, for suppliers who have become major and stable suppliers of panel makers, it is a favorable factor, making it difficult for new polarizer manufacturers to enter the market.

\* Disadvantageous factors and countermeasures

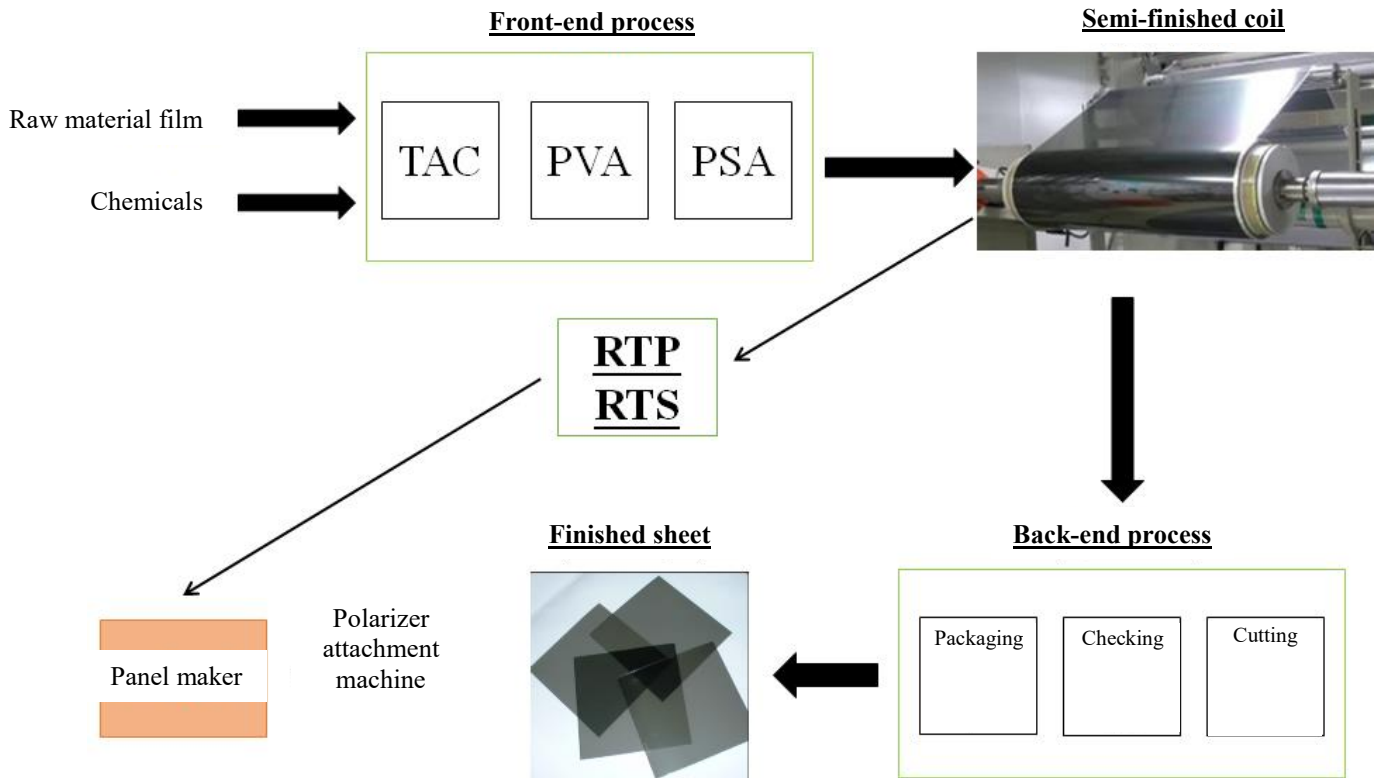
Disadvantageous factors	Countermeasures
Main raw materials for production must be imported	<p>The annual production rate of the polarizer industry is highly related to the rate of material supply. The main raw material suppliers of TAC, PET and COP polarizers are the Japanese manufacturers FUJIFILM and Konica Minolta, Toyobo and Zeon, respectively.</p> <p>The Company strives to work hard on obtaining a reasonable price reduction range from suppliers, while at the same time maintaining long-term and trusting relationships with our main suppliers.</p> <p>Moreover, in order to take precautions to natural disasters in Japan affecting the global economic market, resulting in difficulties in obtaining sources of raw materials, the Company has another raw material supplier in place, while also actively seeking alternative sources of raw materials from other regions to disperse the risk of over-concentration of sources.</p>
Response to downstream customers' price reduction needs for polarizers	<p>In an effort to meet the large demand from downstream panel makers and to seek a stable gross margin, the Company will reduce costs to improve product competitiveness by adjusting product portfolio, continuously improving yield of production lines and maximizing availability of production capacity. In response to the future demand for consumer electronics, we will strive to expand the market for small and medium-sized panel customers in terms of product portfolio, and create additional profits by enhancing the utilization rate of raw materials through composite cutting.</p>

## (II) Important use and production process for the major products:

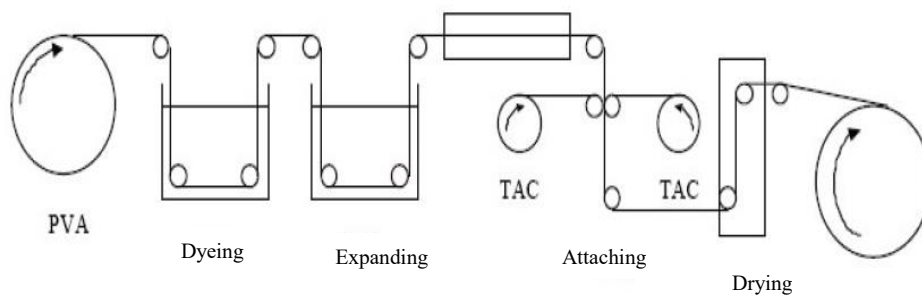
### 1. Important use for the major products

Major products	Important uses or functions
Polarizer	<ul style="list-style-type: none"> <li>■ Polarizers are a type of light plate that use chemical and optical technology to give the polarizing material polarized light scattering characteristics which allows only light of a certain polarization to pass through.</li> <li>■ In the process of manufacturing LCD panels, a piece of polarizing film must be used at the top and bottom, and inserted one after another.</li> <li>■ The main purpose is to let a light source create a shade of difference when there is or is no electric field to show a light or dark state, to display subtitles or images.</li> </ul>

### 2. Production process of major products:



**Front-end process:**



Through a roll-to-roll process, PVA material is stretched, and dyed to make PVA have polarization by scattering. It is then laminated with TAC, protective film and release film by various optical adhesives depending on the

requirements of different products and customers.

**Back-end process:** The semi-finished rolls are cut and edged into sheets of the size required by the customer. It then checked and packaged for shipment to the customer.

(III) Supply situation for the Company’s major raw materials:

Main materials for polarizers and their suppliers are as follows:

Composition of materials	Function	Major supplier
Surface treatment film	Reduces reflection and anti-glare Increased visual performance	Nippon Paper, DNP, FUJIFILM, Toppan
PVA (polyvinyl alcohol film)	Polarization mechanism	Kuraray, Mitsubishi Chemical
Release film	Adhesive protection	Mitsubishi Plastics, Toray, Nan Ya
Protective film	Protective polarizer	Fujimori Kogyo, LG Chem, Nitto Denko, Sun A.Kaken, Fujimori Kogyo, LG Chem, Nitto Denko, Sun A.Kaken

Composition of materials	Function	Major supplier
Compensation film * TAC (triacetylcellulose film) * COP (cyclic olefin copolymer film)	Reduces issues related to the amount of light leakage in the dark state of LCDs, compensates for contrast and chromaticity, and protects the support of polarizers.	FUJIFILM, Konica Minolta, Zeon, JSR, Teijin, Nippon Oil, TacBright Optronics
PSA (pressure sensitive adhesive)	High-weather resistance	Soken, Saiden, NCI, Fujimori Kogyo
PET	Replaces TAC as a PVA protective layer.	Toyobo

To date, major suppliers are from Japan, an oligopolistic market. As the Company forms sound relationships with suppliers, the material supply can meet the production demands. In recent years, many manufactures in Taiwan and overseas have also invested in the development of related materials in this field, which will prove beneficial to the supply security of major materials. At present, our major raw material supply condition is good, and the source of materials is stable.

(IV) A list of suppliers and customers accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years

1. Information on major suppliers in the most recent 2 fiscal years

Unit: NT\$ thousand

Year	2019				2020			
Item	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer	Name	Amount	Ratio to net annual purchase (%)	Relation to the issuer
1	KONICA MINOLTA, INC.	1,672,602	14.59	None	FUJIFILM CORPORATION .	1,399,556	17.97	None
2	FUJIFILM CORPORATION	1,197,903	10.45	None	Dai Nippon Printing Co., Ltd.	1,020,790	13.10	None
3	Kuraray Trading CO., LTD	1,328,845	11.59	None	Kuraray Trading CO., LTD	944,487	12.12	None
	Other	7,262,703	63.37	None	Other	4,424,995	56.81	None
	Net purchase	11,462,053	100	None	Net purchase	7,789,828	100	None

Note 1: A list of suppliers and customers accounting for 10 percent or more of the Company's total procurement amount in the 2 most recent fiscal years and the amount and ratio bought; if the contract stipulates not disclosing the name of the supplier or the trading counterpart is an individual person who is not a related party, a code in place of the actual name must be used.

Note 2: As the publication date of the annual report is March 27, 2020, the information of 2020 Q1 cannot be disclosed.

2. Major sales customers in the most recent 2 fiscal years

Year	2019				2020			
Item	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer	Name	Amount	Ratio to net annual sales (%)	Relation to the issuer
1	Customer A	3,007,928	20.19	None	Customer A	2,356,822	24.92	None
2	Customer B	1,930,368	12.96	None	Customer B	1,495,707	15.82	None
3	Customer C	1,524,659	10.24	None	Customer C	1,353,390	14.31	None
4	Customer D	2,246,044	15.08	None	Customer D	1,012,447	10.71	None
	Other	6,187,251	41.53	None	Other	3,238,508	34.25	None
	Net sales	14,896,250	100	None	Net sales	9,456,874	100	None

Note 1: A list of customers accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years and the amount and ratio sold; if the contract stipulates not disclosing the name of the customer or the trading counterpart is an individual person who is not a related party, a code in place of the actual name must be used.

Note 2: As the publication date of the annual report is March 27, 2020, the information of 2020 Q1 cannot be disclosed.

**(V) Production for the most recent 2 fiscal years:**

Unit: Thousand meters; NT\$ thousand

Production Volume/Value	2019		2020			
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Polarizers	45,168	29,567	10,596,290	30,958	10,459	5,019,540
Polarizing film coil		5,071	1,487,599		15,641	4,205,158
Other	None	None	None	None	None	None
Total	45,168	34,638	12,083,889	30,958	26,100	9,224,697

Note 1: "Production capacity" refers to the amount that the Company is able to produce under normal operations using existing equipment after considering factors including necessary shutdowns and holidays.

**(VI) The sales volume and value for the most recent 2 fiscal years:**

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

Sales Volume/Value	2019		2020					
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Polarizers	3,826	74,283	179,574	10,748,606	32,784	1,919,769	11,881	3,381,200
Polarizing film coil	95	15,349	14,657	4,005,832	3,390	575,722	8,905	3,552,715
Other	100	174	248	52,006			4,477	27,469
Total	4,021	89,806	194,479	14,806,444	36,174	2,495,491	25,263	6,961,384

Note: The quantity of polarizers are thousand pieces; the unit of quantity for polarizing film coil is thousand meters.

**III. Employees:**

Unit: persons; %

Year		2019	2020	2021 Up to February 28
Number of employees	Direct employee	793	758	772
	Indirect employee	351	340	346
	Total	1,144	1,098	1,118
Average age		35.17	35.17	37.00
Average service years		6.57	6.57	7.71
Education distribution rate (%)	Master/PhD	10.23%	10.24%	10.32%
	College	61.28%	60.51%	60.59%
	Senior high school	28.50%	29.25%	29.09%
	Below senior high school	0.00%	0.00%	0.00%

#### IV. Information on environmental protection expenditures:

1. According to 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 unit or office responsible for environmental issues, the description of the status of such applications, payment or establishment shall be made:

(1) The Company's related environmental protection approval documents and numbers:

Name of the public or private establishment: Cheng Mei Materials Technology Corp. Control code: R90A0401 No. 13, Muzhagang West Road, Nanguan Village, Shanhua District, Tainan City
Stationary Pollution Source Operation Permit I. Other optoelectronic materials (polarizers) and components manufacturing process (M01) Tainan City Huan-Kong-Cao-Zheng-Zi No. D0194-00 dated February 19, 2020 II. Boiler steam generation procedure (M02) Tainan City Huan-Kong-Cao-Zheng-Zi No. D0537-02 dated September 5, 2018 III. Other optoelectronic materials (polarizers) and components manufacturing process (M03) Tainan City Huan-Kong-Cao-Zheng-Zi No. D0195-00 dated February 19, 2020
Water Pollution Prevention and Control Permit Tainan City Government Huan-Shui-Zi No. 01264-13 dated November 21, 2018
Business Waste Removal Plan Tainan City Government Fu-Huan-Shi-Zi No. 1070960703 dated August 31, 2018 Cleanup program approval number: R09512080001
Toxic Chemical Substance Permit Environmental Protection Bureau Huan-Shui-Zi No. 1090082799 dated July 24, 2020 Approval No.: Tainan City Du-He-Zi No. 000429

(2) The Company's air pollution prevention fee payment

Unit: \$

Year	Air pollution fee
2018	150,877
2019	182,965
2020	112,446

(3) The Company's payment for the use of the wastewater treatment system

Unit: \$

Year	Fees for the use of the wastewater treatment system
2018	18,976,303
2019	17,059,353
2020	22,002,959

(4) Establishment of the Company's dedicated environmental protection personnel

1. Class A Air Pollution Prevention Specialist: Wu Guang-Wang (2016) Huan-Shu-Xun-Zheng-Zi No. FA130671
2. Class A Wastewater Treatment Specialist: Liu Meng-Tsung (2001) Huan-Shu-Xun-Zheng-Zi No. GA160143 Su Lian-Jie (2013) Huan-Shu-Xun-Zheng-Zi No. GA470999 Lin Jun-Xin (2013) Huan-Shu-Xun-Zheng-Zi No. GA170962
3. Class A Waste Treatment Specialist: Hung Ching-Ju (2014) Huan-Shu-Xun-Zheng-Zi No. HA050590

(5) Emissions of CO<sub>2</sub> or other greenhouse gases (GHG) in the most recent 2 fiscal years:

\* Influence or degree of impact of the industry on GHG emissions:

(I) Risks of climate change-related laws or regulations for the Company: According to the Greenhouse Gas Management Act and Stationary Pollution Source Measures for Public or Private Establishments That Should Report Greenhouse Gas Emissions, since the Company has not yet met the requirements for reporting annual GHG emissions of 25,000 metric tons of CO <sub>2</sub> from fossil combustion of the second batch of announced public or private establishments, it does not need to report the amount. However, in conjunction with customers' requests, we began performing GHG checks since 2010 and a third-party notary unit is appointed to carry out the inspection of emissions.
(II) Substantial risks of climate change on the Company: 1. Change in water supply and quality 2. Possible impact from continuous high environmental temperatures 3. Sea level rise and the increase of natural disasters such as heavy rain, typhoons and floods. 4. Increase in frequency and intensity of extreme weather. 5. Indirect impact on the development of the industry through the effect of stakeholders in the industry.
(III) Opportunities arisen from climate change: 1. The efficiency of the use of process resources; less water use and recovery rate increase. 2. Design new standard weatherproof infrastructure; design air conditioning facilities with new standards or existing equipment to improve efficiency. 3. Check existing system for replacement or upgrade; make countermeasures for accidents and natural disasters.

4. Set product life cycles and market development, establish brand awareness and special product features, and increase the balance of work and life flexibility.

(IV) The Company's (direct, indirect) GHG emissions (specify the scope of the check and time), and whether it has passed the external verification:

Verification criteria: The inspection was carried out in accordance with the ISO 14064-1:2006 standard and generally recognized standards with the purpose of the consistent process involving the identification, calculation, monitoring and reporting of GHG emissions. The inspection process is consistent with the criteria of ISO 14066:2011, ISO 14065:2013 and ISO 14064-3:2006.

Verification scope: 1 facility that covers CMMT at No. 13, Muzhagang West Road, Shanhua District, Tainan City, a polarizing plate (film) plant for LCDs owned and operated by CMMT.

Check period: From January 1, 2019 to December 31, 2019.

Verification data: The total GWP value of IPCC's 2008 Fourth Assessment Report (AR4) was adopted, totaling 49,381.724 metric tons of CO<sub>2</sub> equivalent, including

- Direct GHG (Scope 1) emissions: 17,179.9406 metric tons of CO<sub>2</sub> equivalent
- Energy indirect GHG (Scope 2) emissions: 32,201.7832 metric tons of CO<sub>2</sub> equivalent

(GHG emissions from externally purchased electricity are calculated based on the 2019 Taipower's emission factor of 0.509 kg CO<sub>2</sub>-e/kWh announced on June 30, 2020, by the Bureau of Energy, Ministry of Economic Affairs)

Verification has been carried out by an external inspection sector, the relevant information as follows:

Declaration Number: 00102-2020-AG-TWN-C

Verification agency: DNV

Verification period: August 10–25, 2020

Verification Declaration Issue Date: September 3, 2020

\* The Company's strategy, methods and objectives for GHG management:

(I) The Company's strategy for responding to climate change or GHG management:

1. Within the Company: Establish the Company's adaptation strategy, quantify the data or describe the related risks and opportunities.
2. Interaction between the industry and market: Disclose information accordingly, create beneficial tools and experience analysis in the industry, provide technical support to customers and suppliers, or have joint developments to meet purchase demand for products and services.

(II) The Company's reduction target for GHG emissions:

The Company strengthens air pollution control measures for direct GHG emissions in order to reduce emissions. Carry out all types of energy-saving measures and install inverters on high energy-consuming equipment to increase efficiency. By doing so, indirect GHG emissions are reduced by 240 metric tons of CO<sub>2</sub>-e/year.

(III) The Company's budget and plans for the reduction of GHG emissions:

In 2020, the solar power system generated a total of 851,848 kWh of electricity. The electricity was self-generated, which accounted for 1% of the total electricity consumption. In 2020, the Company applied for 860 renewable energy certificates (1,000 kWh per certificate), and as of March 10, 2021, 789 renewable energy certificates had been sold.

(IV) Carbon reduction effect of the Company's products or services on customers or consumers:

Based on the 2020 GHG emissions, the unit product emissions are projected to be 0.00024 metric tons of CO<sub>2</sub>-e/PCS.

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

December 31m 2020; Unit: NT\$ thousand

Equipment name	Quantity	Date of acquisition	Investment cost	Undiscounted balance	Use purpose and possible effects to be produced
Wastewater pre-treatment equipment	1 unit	October 2006	25,709	0	Treatment of wastewater for FAB1 office and polarization process
Wastewater pre-treatment equipment	1 unit	February 2010	46,307	0	Treatment of wastewater for FAB2 plant office and polarization process
Washing tower	5 units	October 2006	346,465	0	Treatment of acid-alkali waste gas for FAB1 polarization process
Thermal regenerative flares	1 unit	March 2007	21,539	0	Treatment of VOCs for FAB1 polarization process
Washing tower	5 units	February 2010	76,510	0	Treatment of acid-alkali waste gas for FAB2 polarization process
Thermal regenerative flares	1 unit	June 2010	25,465	0	Treatment of VOCs for FAB2 polarization process
Pulse jet baghouse	2 units	December 2006 February 2008	3,150	0	Treatment of particle contaminants generated during polarizer edge grinding
Concentration system of potassium iodide solution	1 unit	May 2007	22,564	0	Concentration of potassium iodide wastewater for FAB1 polarization process to reduce wastewater generation and treatment
Concentration system of potassium iodide solution	1 unit	April 2010	16,460	0	Concentration of potassium iodide wastewater for FAB2 polarization process to reduce wastewater generation and treatment
Thermal regenerative flares	1 unit	September 2013	26,573	5,284	Treatment of VOCs for FAB2 polarization process
Concentration system of potassium iodide solution	1 unit	December 2013	46,305	10,793	Concentration of potassium iodide wastewater for FAB1&2 polarization process to reduce wastewater generation and treatment
45CMH boron removal wastewater system and equipment	1 unit	December 2014	40,588	13,793	Improvement of the plant's wastewater discharge, including processing of boron removal wastewater
30CMH boron removal wastewater system and equipment	1 unit	December 2014	29,921	10,238	Improvement of the plant's wastewater discharge, including processing of boron removal wastewater
Fab2 process exhaust system equipment-2	1 unit	October 2018	1,802	1,465	Treatment of acid-alkali waste gas for FAB2 polarization process
Fab2 wastewater system equipment	1 unit	February 2020	485	450	Treatment of wastewater for FAB2 plant office and polarization process

Any losses (including compensation paid) suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents and total penalties: None.

V. Labor relations:

**(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:**

2. Employee benefit plans, continuing education, training

(1) Employee benefit plans

One of the Company's business philosophies is respecting humanity and caring for our employees. In an attempt to fully take care of employees' and their family's physical and mental health and to establish their livelihood protection that allows them to have peace of mind while working at CMMT, the Company provides employees with various benefit plans. Employees of the Company have also set up a welfare committee to oversee plans and facilitation of matters concerning employee benefits.

The current implementation of benefit plans is providing activities, travel allowances and health seminars based on the budget of the welfare committee.

(2) Employee continuing education and training:

Given that the role of education and training is the best way to bring a company and its employees together, CMMT facilitates systematic training and annual training orientation each year, enabling employees to fully enjoy training resources.

A. Comprehensive training for newbies

The Company provides a 2-day training program for new employees, allowing them to get to know the Company and work requirements through a series of course plans.

For administrative and engineering employees, the Company will be adding professional training for process and operation, hoping that by doing so, new employees will have a better understanding of production, process, products and services.

B. Promotion of internal lecturer training program

An "internal lecturer" is the best spokesperson when it comes to knowledge transfer. Based on such notion, the Company has started to gradually promote a professional internal lecturer training program. We gather the knowledge of internal professional personnel and present it systematically, helping the Company to quickly accumulate professional talent cultivation.

C. Implement systematic training in each professional system

All professional employees receive training in accordance with the relevant certification systems. A training theme is selected each year and employees are given a series of functional training courses associated with the theme. Aside from professional personnel, each management level must also carry out different levels of training in accordance with its responsibilities.

(3) Gain more training resources through different types of subsidies:

In an effort to allow employees to have more training resources, the Company promotes diverse training in the plant in line with government plans.

3. Retirement system and its implementation: The implementation status is satisfactory and in compliance with the Labor Standards Act and Labor Pension Act.

(1) Agreements between labor and management: The Company attaches importance to the opinions of our employees and holds labor-management meetings on a regular basis.

(2) Protection of employees' rights and interests: The Company values the opinions of employees and encourages them to communicate with relevant personnel in an open and transparent manner at all times. The Company also requests company supervisors and related departments to provide prompt responses for the purpose of implementing 2-way communication.

**(II) List any losses suffered by the Company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:**

1. To date, there have been no labor disputes. As there have been no labor disputes, the Company did not suffer any losses due to labor disputes.

2. Current and possible future measures

- Provide periodic education and training on laws and regulations, strengthen legal awareness and abide by labor laws.
- Establish open and honest labor-management communication and complaint outlets.

- Establish an operations management system that is open and for all employees.
3. Possible expenses that could be incurred currently and in the future: The Company upholds a harmonious and ethical management policy. Where there are no other external changes, the relationship between labor and management should remain peaceful and no losses will occur.

#### VI. Important contracts:

Nature of the contract	Party	Commencement date of the contract	Main content	Restrictions	Remark
Technical License Contract	The Company and Kunshan CMMT	Both parties signed the “Technical License Contract” on March 17, 2017. The contract is retroactive to December 1, 2016, and effective until December 1, 2022.	Polarization Technology Licensing	Not applicable	Description 1
Technical License Contract	Kunshan CMMT, Hangzhou Jinjiang Group Company Ltd., Shenzhen Sapo Photoelectric Co., Ltd., and Nitto Electric Industrial Co., Ltd.	Kunshan CMMT, Hangzhou Jinjiang Group Company Ltd., Shenzhen Sapo Photoelectric Co., Ltd., and Nitto Electric Industrial Co., Ltd., entered into a 4-way technical collaboration contract for polarizer on November 6, 2017.	Polarization Technology Licensing	Not applicable	Description 2

Description 1: The contract is a “Polarization Technology Licensing Contract with Kunshan CMMT” approved by the audit committee and the board of directors on March 10, 2015. Both parties signed a subsequent “Technology Licensing Contract” for the construction progress and mass production schedule of Kunshan CMMT on March 17, 2017, which is retroactive to December 1, 2016, and effective until December 1, 2022.

Description 2: The contract is a Polarization Technology Licensing Contract jointly signed by the Company’s major subsidiary Kunshan CMMT, Hangzhou Jinjiang Group Company Ltd., Shenzhen Sapo Photoelectric Co., Ltd., and Nitto Electric Industrial Co., Ltd., approved by the audit committee and the board of directors on November 2, 2017. The world’s most advanced manufacturing technology will be introduced, and with the utilization rate of large-size LCD panel cutting, the utilization rate for unit capacity will increase while reducing manufacturing costs, further increasing the Company’s competitiveness. By entering the Chinese panel market, the interests of our shareholders are expected to be maximized.

VII. Other matters that require additional description: None.

Six. Overview of the Company's Financial Status

I. Summary of financial data for the most recent 5 fiscal years

(I) Condensed balance sheets and statements of comprehensive income

1. Condensed balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 fiscal years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		10,476,597	11,495,239	13,498,543	5,848,229	6,249,367
Property, plant and equipment		9,639,819	11,169,695	10,693,045	4,358,111	4,000,705
Intangible assets		58,608	95,632	91,846	32,087	8,508
Other assets		427,768	698,025	2,950,483	3,975,080	4,313,095
Total assets		20,602,792	23,458,591	27,233,917	14,213,507	14,571,675
Current liabilities	Before distribution	7,520,416	10,177,149	12,629,552	4,515,885	4,595,888
	After distribution	7,520,416	10,177,149	12,629,552	4,515,885	Note 2
Non-current liabilities		82,844	171	419,596	22,859	354,171
Total liabilities	Before distribution	7,603,260	10,177,320	13,049,148	4,538,744	4,950,059
	After distribution	7,603,260	10,177,320	13,049,148	4,538,744	Note 2
Equity attributable to owners of the parent company		10,712,234	11,345,730	10,484,265	9,658,762	9,621,616
Share capital		5,157,285	6,657,285	6,657,285	6,657,285	6,657,285
Capital reserve		453,761	856,768	851,689	944,026	938,942
Retained earnings	Before distribution	5,304,161	4,077,901	3,422,821	2,734,312	2,648,757
	After distribution	5,304,161	4,077,901	3,422,821	2,734,312	Note 2
Other equity		(202,973)	(246,224)	(447,530)	(676,861)	(623,368)
Treasury stock		-	-	-	-	-
Non-controlling interest		2,287,298	1,935,541	3,700,504	16,001	-
Total equity	Before distribution	12,999,532	13,281,271	14,184,769	9,674,763	9,621,616
	After distribution	12,999,532	13,281,271	14,184,769	9,674,763	Note 2

\* If the Company has prepared parent only financial statements, it should also prepare separate parent only financial statements and statements of comprehensive income for the most recent 5 fiscal years.

\* The following table (2) should be prepared separately for those who have adopted IFRSs for less than 5 years with information using Taiwan's Financial Accounting Standards.

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

Note 2: Pending resolution by shareholders' meeting.

2. Condensed statements of comprehensive income:

Unit: NT\$ thousand

Item	Financial information for the most recent 5 fiscal years (Note 1)				
	2016	2017	2018	2019	2020
Operating income	10,374,172	9,878,148	12,767,162	14,896,250	9,456,875
Gross profit margin	(796,755)	(749,112)	561,954	569,478	307,753
Operating profit and loss	(1,606,238)	(1,671,123)	(606,868)	(450,166)	(269,648)
Non-operating income and expenditure	62,767	(11,794)	(465,992)	(288,682)	179,071
Net income before tax	(1,543,471)	(1,682,917)	(1,072,860)	(738,848)	(90,577)
Continuing operations Net profit for the period	(1,483,862)	(1,550,026)	(1,048,146)	(760,446)	(91,471)
Loss of discontinued operations	-	-	-	-	-
Net income (loss) for the period	(1,483,862)	(1,550,026)	(1,048,146)	(760,446)	(91,471)
Other comprehensive income for the period (Net after tax)	(426,470)	(72,660)	(265,446)	(367,340)	53,493
Total comprehensive income for the period	(1,910,332)	(1,622,686)	(1,313,592)	(1,127,786)	(37,978)
Net income attributable to owners of the parent company	(1,483,921)	(1,226,260)	(655,080)	(688,559)	(85,555)
Net income attributable to non-controlling equity	59	(323,766)	(393,066)	(71,887)	(5,916)
Total comprehensive income attributable to owners of the parent company	(1,794,388)	(1,269,892)	(856,386)	(917,840)	(32,062)
Comprehensive income attributable to non-controlling interests	(115,944)	(352,794)	(457,206)	(209,946)	(5,916)
Earnings per share	(2.88)	(2.18)	(0.98)	(1.03)	(0.13)

\* If the Company has prepared parent only financial statements, it should also prepare separate parent only financial statements and statements of comprehensive income for the most recent 5 fiscal years.

\* The following table (2) should be prepared separately for those who have adopted IFRSs for less than 5 years with information using Taiwan's Financial Accounting Standards.

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

## 3. Parent only condensed balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for the most recent 5 fiscal years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		7,863,009	7,602,818	5,468,026	4,924,282	4,672,123
Funds and investments		3,337,830	2,777,071	5,600,735	4,446,641	5,038,768
Fixed assets		4,945,581	4,565,782	4,136,296	3,854,530	3,628,623
Intangible assets		22,077	30,808	13,735	8,273	7,153
Other assets		46,495	103,130	397,909	274,618	307,567
Total assets		16,214,992	15,079,609	15,616,701	13,508,344	13,654,234
Current liabilities	Before distribution	5,419,914	3,733,804	4,909,717	3,553,868	3,678,447
	After distribution	5,419,914	3,733,804	4,909,717	3,553,868	Note 2
Long-term liabilities		-	-	200,000	-	-
Other liabilities		82,844	75	22,719	295,714	354,171
Total liabilities	Before distribution	5,502,758	3,733,879	5,132,436	3,849,582	4,032,618
	After distribution	5,502,758	3,733,879	5,132,436	3,849,582	Note 2
Share capital		5,157,285	6,657,285	6,657,285	6,657,285	6,657,285
Capital reserve		453,761	856,768	851,689	944,026	938,942
Retained earnings	Before distribution	5,304,161	4,077,901	3,422,821	2,734,312	2,648,757
	After distribution	5,304,161	4,077,901	3,422,821	2,734,312	Note 2
Other equity		(202,973)	(246,224)	(447,530)	(676,861)	(623,368)
Total equity	Before distribution	10,712,234	11,345,730	10,484,265	9,658,762	9,621,616
	After distribution	10,712,234	11,345,730	10,484,265	9,658,762	Note 2

\* If the Company has prepared parent only financial statements, it should also prepare separate parent only financial statements and statements of comprehensive income for the most recent 5 fiscal years.

\* The following table (2) should be prepared separately for those who have adopted IFRSs for less than 5 years with information using Taiwan's Financial Accounting Standards.

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

Note 2: Pending resolution by shareholders' meeting.

4. Parent only condensed statements of comprehensive income:

Unit: NT\$ thousand

Item \ Year	Financial information for the most recent 5 fiscal years (Note 1)				
	2016	2017	2018	2019	2020
Operating income	9,642,524	8,297,621	8,242,816	8,071,052	8,757,795
Gross profit margin	(421,072)	(258,223)	205,451	(245,812)	11,259
Operating profit and loss	(928,672)	(808,467)	(254,786)	(712,263)	(431,260)
Non-operating income and expenditure	(617,118)	(554,132)	(400,294)	25,891	345,705
Net income before tax	(1,545,790)	(1,362,599)	(655,080)	(686,372)	(85,555)
Net income of continuing operations for the period	(1,483,921)	(1,226,260)	(655,080)	(688,559)	(85,555)
Loss of discontinued operations	-	-	-	-	-
Net income (loss) for the period	(1,483,921)	(1,226,260)	(655,080)	(688,559)	(85,555)
Other comprehensive income for the period (Net after tax)	(310,467)	(43,632)	(201,306)	(229,281)	53,493
Total comprehensive income for the period	(1,794,388)	(1,269,892)	(856,386)	(917,840)	(32,062)
Earnings per share	(2.88)	(2.18)	(0.98)	(1.03)	(0.13)

\* If the Company has prepared parent only financial statements, it should also prepare separate parent only financial statements and statements of comprehensive income for the most recent 5 fiscal years.

\* The following table (2) should be prepared separately for those who have adopted IFRSs for less than 5 years with information using Taiwan's Financial Accounting Standards.

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

(II) Names of the certified public accountants and the auditor's opinion given for the most recent 5 fiscal years:

1. Names of the certified public accountants and the auditor's opinion given for the most recent 5 fiscal years

Year	Name of the accounting firm	CPA	Audit opinion
2016	Deloitte & Touche	Chen Ming-Hui, Huang Shu-Chieh	Unqualified opinion
2017	Deloitte & Touche	Chen Ming-Hui, Huang Shu-Chieh	Unqualified opinion
2018	PwC Taiwan	Lin Yi-Chang, Liu Tzu-Meng	Unqualified opinion plus the section of material uncertainty and other matters associated with continuing operations
2019	PwC Taiwan	Liu Tzu-Meng, Wu Chien-Chih	Unqualified opinion
2020	PwC Taiwan	Liu Tzu-Meng, Wu Chien-Chih	Unqualified opinion

2. If there has been a change of accountants in the most recent 5 fiscal years, the Company, the former and the successor accountants shall explain the reason for the change

Year	Former accountant	Successor accountant	Reason of change
2015	Fang Su-Li, Huang Shu-Chieh	Lin Hung-Peng, Huang Shu-Chieh	Due to the routine rotation of accounting duties within Deloitte & Touche.
	Lin Hung-Peng, Huang Shu-Chieh	Chen Ming-Hui, Huang Shu-Chieh	Due to the routine rotation of accounting duties within Deloitte & Touche.
2018	Chen Ming-Hui, Huang Shu-Chieh	Lin Yi-Chang, Liu Tzu-Meng	To accompany the Company's long-term strategic development and internal management needs.
2019	Lin Yi-Chang, Liu Tzu-Meng	Liu Tzu-Meng, Wu Chien-Chih	Due to the routine rotation of accounting duties within PwC.

3. If the financial statements have been reviewed and audited by the same accountants for the most recent 5 fiscal years since the public offering, the reason for not changing the accountants, the independence of the current CPAs and countermeasures in regard to the straightening the independence of accountants: Not applicable.

II. Financial analyses for the most recent 5 fiscal years:

1. Financial analysis:

Unit: NT\$ thousand

Analysis Item (Note 3)		Financial analysis for the most recent 5 fiscal years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio	36.9%	43.38%	47.92%	31.93%	33.97%
	Long-term capital to property, plant and equipment ratio	134.85%	118.90%	136.37%	221.99%	248.45%
Solvency (%)	Liquidity ratio	139.31%	112.95%	106.88%	129.50%	135.98%
	Quick ratio	101.15%	83.48%	73.72%	79.96%	76.03%
	Times interest earned	-10,443.55%	-1226.94%	-269.21%	-122.09%	-33.95%
Operating capacity	Turnover of receivables (per time)	3.19	3.50	3.13	4.28	3.77
	Average collection days for receivables	114.41	104.28	116.595	85.299	96.918
	Inventory turnover (per time)	3.27	3.37	2.80	3.64	3.23
	Payables turnover (per time)	6.04	6.14	4.89	7.24	7.56
	Average days for sale	111.72	108.30	130.46	100.143	112.948
	Turnover of property, plant, and equipment (per time)	1.26	1.10	1.17	1.98	2.26
	Total assets turnover (per time)	0.54	0.45	0.50	0.72	0.66
Profitability	Return on assets (%)	-7.68%	-6.56%	-3.22%	-2.39%	-0.26%
	Return on equity (%)	-11.44%	-11.80%	-7.63%	-6.37%	-0.95%
	Ratio of income before tax to paid-in capital (%) (Note 7)	-29.93%	-25.28%	-16.12%	-11.10%	-1.36%
	Net profit margin	-14.30%	-15.69%	-8.21%	-5.10%	-0.97%
	Earnings per share (NT\$)	-2.88	-2.18	-0.98	-1.03	-0.13
Cash flow	Cash flow ratio (%)	-13.68%	-16.61%	-8.55%	16.01%	-7.88%
	Cash flow adequacy ratio (%)	126.80%	73.01%	15.66%	0.69%	-24.42%
	Cash re-investment ratio (%)	-5.89%	-7.38%	-4.29%	3.64%	-1.78%
Leverage	Operating leverage	-0.21	-0.07	-1.81	-2.65	-2.19
	Financial leverage	0.99	0.93	0.68	0.58	0.80

\* If the company has prepared parent only financial reports, it should prepare a separate parent only financial ratio analysis.

\* The following table (2) should be prepared separately for those who have adopted IFRSs for less than 5 years with information using Taiwan's Financial Accounting Standards.

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

Note 2: Listed companies or companies whose shares are traded on the stock exchange should include the financial information reviewed by CPAs of the previous quarter and current year up to the date of publication of the annual report

Note 3: The calculation formulas shall be listed at the end of the table of the annual report.

1. Financial Structure

(1) Debt-to-asset Ratio = total liabilities/total assets.

(2) Ratio of Long-term Funds to Property, Plant, and Equipment = (total equity + non-current liabilities)/net worth of property, plant, and equipment.

## 2. Solvency

(1) Liquidity Ratio = current assets/current liabilities.

(2) Quick Ratio = (current assets – inventory – prepaid expenses)/current liabilities.

(3) Times Interest Earned = income before income tax and interest expenses/current interest expenses.

## 3. Operating Capacity

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = net sales amount/average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

(2) Average Collection Days for Receivables = 365/turnover of receivables.

(3) Inventory Turnover = cost of goods sold/average inventory.

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) for each period.

(5) Average Days of Sale = 365/inventory turnover.

(6) Turnover of Property, Plant, and Equipment = net sales amount/average net worth of property, plant, and equipment.

(7) Total Assets Turnover = net sales amount/average total assets.

## 4. Profitability

(1) Return on Assets = [net income + interest expenses (1 - tax rate)]/average total assets.

(2) Return on Equity = net income/average total equity.

(3) Net profit margin = net income/net sales amount.

(4) Earnings per Share (EPS) = (profit and loss attributable to owners of the parent – dividends on preferred shares)/weighted average number of issued shares. (Note 4)

## 5. Cash Flow

(1) Cash Flow Ratio = net cash flow from operating activities/current liabilities.

(2) Net Cash Flow Adequacy Ratio = net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividends) for the most recent 5 years.

(3) Cash Re-investment Ratio = (net cash flow from operating activities - cash dividends)/gross property, plant, and equipment value + long-term investment + other non-current assets + working capital). (Note 5)

## 6. Leverage:

(1) Operating Leverage = (net operating revenue – variable operating costs and expenses)/operating income (Note 6)

(2) Financial Leverage = operating income/(operating income - interest expenses).

Note 4: The above formula for calculating earnings per shares should pay special attention to the following when measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.

2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.

3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.

4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Special attention should be paid to the following when analyzing cash flows:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditure refers to the annual cash outflow of capital flows.

3. The increase in inventories shall only be credited when the balance at the end of the period is greater than their balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.

4. Cash dividends include cash dividends for common stock and special shares.

5. Fixed assets means the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no-par or not in the denomination of NT\$10, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company

## 2. Analysis of parent only financial ratios:

Unit: NT\$ thousand

Analysis Item (Note 2)		Financial analysis for the most recent 5 fiscal years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt to assets ratio	33.94%	24.76%	32.87%	28.50%	29.53%
	Long-term capital to property, plant and equipment ratio	216.6%	248.49%	258.31%	257.66%	273.92%
Solvency (%)	Liquidity ratio	145.08%	203.62%	111.37%	138.56%	127.01%
	Quick ratio	115.3%	161.81%	63.18%	89.04%	72.02%
	Times interest earned	-19,109.52%	-7,649.53%	-2610.19%	-1,658.92%	-89.23%
Operating capacity	Turnover of receivables (per time)	2.05	2.97	3.15	3.55	4.33
	Average collection days for receivables	177.71	123.06	115.72	102.77	84.24
	Inventory turnover (per time)	4.29	3.60	3.11	3.32	4.03
	Payables turnover (per time)	5.48	4.50	4.29	5.97	7.15
	Average days for sale	85.18	101.48	117.49	110.04	90.49
	Turnover of property, plant, and equipment (per time)	1.88	1.74	1.89	2.02	2.34
Profitability	Total assets turnover (per time)	0.58	0.53	0.54	0.55	0.64
	Return on assets (%)	-8.88%	-7.74%	-4.14%	-4.51%	-0.36%
	Return on equity (%)	-12.67%	-11.12%	-6.00%	-6.84%	-0.89%
	Ratio of income before tax to paid-in capital (%) (Note 7)	-29.97%	-20.47%	-9.84%	-10.31%	-1.29%
	Net profit margin	-15.39%	-14.78%	-7.95%	-8.53%	-0.98%
Cash flow	Earnings per share (NT\$)	-2.88	-2.18	-0.98	-1.03	-0.13
	Cash flow ratio (%)	-6.19%	43.07%	-11.05%	5.07%	-12.71%
	Cash flow adequacy ratio (%)	163.22%	174.5%	139.98%	174.74%	31.93%
Leverage	Cash re-investment ratio (%)	-1.8%	8.18%	-2.79%	1.06%	-2.41%
	Operating leverage	-0.7	-0.61	-2.23	-0.24	-0.96
	Financial leverage	0.99	0.98	0.91	1.00	0.9051

\* If the company has prepared parent only financial reports, it should prepare a separate parent only financial ratio analysis.

\* The following table (2) should be prepared separately for those who have adopted IFRSs for less than 5 years with information using Taiwan's Financial Accounting Standards.

Note 1: Information for the most recent 5 fiscal years has been audited by CPAs.

Note 2: The calculation formulas listed shall be calculated with the following formula:

## 1. Financial Structure

(1) Debt-to-asset Ratio = total liabilities/total assets.

(2) Ratio of Long-term Funds to Property, Plant, and Equipment = (total equity + non-current liabilities)/net worth of property, plant, and equipment.

## 2. Solvency

(1) Liquidity Ratio = current assets/current liabilities.

(2) Quick Ratio = (current assets – inventory – prepaid expenses)/current liabilities.

(3) Times Interest Earned = income before income tax and interest expenses/current interest expenses.

## 3. Operating Capacity

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = net sales amount/average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

(2) Average Collection Days for Receivables = 365/turnover of receivables.

(3) Inventory Turnover = cost of goods sold/average inventory.

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = cost of goods sold/average payables (including accounts payable and notes payable arising from business operations) for each period.

(5) Average Days of Sale = 365/inventory turnover.

(6) Turnover of Property, Plant, and Equipment = net sales amount/average net worth of property, plant, and equipment.

(7) Total Assets Turnover = net sales amount/average total assets.

#### 4. Profitability

(1) Return on Assets = [net income + interest expenses (1 - tax rate)]/average total assets.

(2) Return on Equity = net income/average total equity.

(3) Net profit margin = net income/net sales amount.

(4) Earnings per Share (EPS) = (profit and loss attributable to owners of the parent – dividends on preferred shares)/weighted average number of issued shares. (Note 4)

#### 5. Cash Flow

(1) Cash Flow Ratio = net cash flow from operating activities/current liabilities.

(2) Net Cash Flow Adequacy Ratio = net cash flow from operating activities for the most recent five years/(capital expenditures + inventory increase + cash dividends) for the most recent 5 years.

(3) Cash Re-investment Ratio = (net cash flow from operating activities - cash dividends)/gross property, plant, and equipment value + long-term investment + other non-current assets + working capital). (Note 5)

#### 6. Leverage:

(1) Operating Leverage = (net operating revenue – variable operating costs and expenses)/operating income (Note 6)

(2) Financial Leverage = operating income/(operating income - interest expenses).

Note 4: The above formula for calculating earnings per share should pay special attention to the following when measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.

2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.

3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.

4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Special attention should be paid to the following when analyzing cash flows:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditure refers to the annual cash outflow of capital flows.

3. The increase in inventories shall only be credited when the balance at the end of the period is greater than their balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.

4. Cash dividends include cash dividends for common stock and special shares.

5. Fixed assets means the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variables. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no-par or not in the denomination of NT\$10, the calculation of the ratio of the paid in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company

III. Audit committee's report for the most recent fiscal year's financial statement:

## Cheng Mei Materials Technology Corp. Audit Committee's Review Report

The Company's 2020 business report, financial statements (including consolidated financial statements) and the motion for earnings distribution; among these, the financial statements (including consolidated financial statements) have been audited by CPAs Liu Tzu-Meng and Wu Chien-Chih of PwC Taiwan, and the audit report has been submitted. The business report, financial statements and the motion for earnings distribution stated above have been reviewed by the Audit Committee and no discrepancy has been found. We have presented the reports based on the provisions stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the the Company Act.

Regards,

2021 Annual General Meeting of Cheng Mei Materials Technology Corp.

Independent director Huang Kuo-Shih

Independent director Liu Wei-Ting

March 25, 2021

IV. Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity,

cash flow chart, and any related footnotes or attached appendices: Please refer to Appendix A.

V. A parent company only financial statement for the most recent fiscal year, certified by a CPA, but not including the statements of major accounting items:

Please refer to Appendix B.

**VI. If the Company or its affiliated enterprises have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

The extraordinary meeting of the board of directors held on January 14, 2019, regarding the replacement of the chairperson caused an unstable situation in terms of management rights. The creditor banks held reservations with respect to the uncertainty of the chairperson; therefore, all banks froze the Company's credit lines.

Regardless of numerous communication and discussion carried out with the banks, the terms offered by the banks did not satisfy CMMT and some directors, the banks did not unfreeze the credit lines as a result. With liquidity continuing to tighten, plus the continuous outflow of funds from repayment of the maturity of bank financing and prepaid materials, the meeting of CMMT's board of directors held on March 22, 2019, approved to apply for debt negotiation from the Industrial Development Bureau. On April 3, 2019, a letter sent by the Industrial Development Bureau was forwarded to the largest creditor bank notifying them to host the debt negotiation process, and on July 26, 2019, all creditor financial institutions agreed in writing.

On January 31, 2020, the Company's board of directors resolved to apply for debt negotiation from the Industrial Development Bureau; on February 19, 2020, a letter sent by the Industrial Development Bureau was forwarded to the largest creditor bank suggesting them to host the debt negotiation meeting as well as handling matters in relation to the debt negotiation; on February 21, 2020, the largest creditor bank held a meeting of all creditor financial institutions for debt negotiation; on February 27, 2020, a letter was received from the largest creditor bank for the minutes of the meeting held on February 21, 2020 regarding the debt negotiation; and on April 14, 2020, the creditor bank notified that the extension of debt was extended for one year (until March 31, 2021), decided by more than two-thirds of the total creditor banks.

On December 18, 2020, the Company's board of directors resolved to apply for debt negotiation from the Industrial Development Bureau; on December 23, 2020, a letter sent by the Industrial Development Bureau was forwarded to the largest creditor bank suggesting them to host the debt negotiation meeting as well as handling matters in relation to the debt negotiation; on December 30, 2020, the largest creditor bank held a meeting of all creditor financial institutions for debt negotiation; and on January 26, 2021, a letter was received from the largest creditor bank for the minutes of the meeting held on December 30, 2020 regarding the debt negotiation.

The Company expects that more bank lines will be recovered for use and that the Company will be able to increase its liquidity through them, enabling operations to return to normal as soon as possible.

Seven. Review and analysis of the Company's financial position and financial performance, and a listing of risks

I. Financial position analysis

Unit: NT\$ thousand; %

Accounting item	2019		2020		Change in increase or decrease	
	Amount	% (Note 1)	Amount	% (Note 1)	Amount	% (Note 2)
Current assets	5,848,229	41	6,249,367	43	401,138	7
Long-term investment	3,807,804	27	4,089,467	28	281,663	7
Fixed assets	4,358,111	31	4,000,705	27	(357,406)	(8)
Other assets	199,363	1	232,136	2	32,773	16
Total assets	14,213,507	100	14,571,675	100	358,168	3
Current liabilities	4,515,885	32	4,595,888	32	80,003	2
Long-term liabilities	0	0	318,028	2	318,028	-
Other liabilities	22,859	0	36,143	0	13,284	58
Total liabilities	4,538,744	32	4,950,059	34	411,315	9
Share capital	6,657,285	47	6,657,285	46	0	0
Capital reserve	944,026	7	938,942	6	(5,084)	(1)
Accumulated surplus	2,734,312	19	2,648,757	18	(85,555)	(3)
Other equity	(676,861)	(5)	(623,368)	(4)	53,493	(8)
Non-controlling interest	16,001	0	0	0	(16,001)	(100)
Total shareholders' equity	9,674,763	68	9,621,616	66	(53,147)	(1)

Note 1: % refers to the same type of ratio of the subject in each related statement.

Note 2: % is the rate of change calculated from 100% of the previous year.

Description of major variations (increase or decrease ratio reaching 20% or more and its amount of change reaches N\$10 million) of accounting items:

1. Other assets: The Company is purchasing equipment in response to market needs including continuous supply to new customers and in line with customers' high-end product requirements.
2. Long-term liabilities: New guaranteed loans were newly added in response to operational needs.
3. Other liabilities: The increase in deferred income tax assets is due to temporary differences.
4. The Company's shareholding in Kunshan CMMT decreased to 38.4% from 49.5%; the Company lost its substantial control over Kunshan CMMT.

## II. Financial performance

### \* Financial performance analysis:

Unit: NT\$ thousand; %

Accounting item	2019		2020		Change in increase or decrease	
	Amount	% (Note 1)	Amount	% (Note 1)	Amount	% (Note 2)
Total operating income						
Less: Sales returns and discounts						
Net operating income	14,896,250	100	9,456,875	100	(5,439,375)	(37)
Operating costs	14,326,772	96	9,149,122	97	(5,177,650)	(36)
Realized (unrealized) gross profit on sales between affiliated companies	569,478	4	307,753	3	(261,725)	(46)
Realized gross profit margin	1,019,644	7	577,401	6	(442,243)	(43)
Operating expenses	(450,166)	(3)	(269,648)	(3)	180,518	(40)
Operating profit	(288,682)	(2)	179,071	2	467,753	162
Non-operating income and expenditure	(738,848)	(5)	(90,577)	(1)	648,271	(88)
Net income before tax for the period	(21,598)	0	(894)	0	20,704	(96)
Income tax (expense) gains	(760,446)	(5)	(91,471)	(1)	668,975	(88)
Net profit for the period						

Note 1: % refers to the same type of ratio of the subject in each related statement.

Note 2: % is the rate of change calculated from 100% of the previous year.

Description of analysis of increase or decrease ratio change (increase or decrease ratio reaching 20%):

1. Operation income: Mainly due to the increase in sales due to the increase in production capacity and availability of Kunshan CMMT.
2. Operating profit: Mainly due to the decrease of unit cost that absorbed fixed expenses due to the increase in production capacity and availability of Kunshan CMMT.
3. Operating expenses: Mainly due to the loss on allowance for accounts receivable, resulting in expected credit impairment profits.
4. Operating profit: Mainly due to the decrease in operating expenses.
5. Non-operating income and expenses: Mainly due to the increase in finance costs and foreign exchange losses.
6. Income tax expense: Mainly due to the decrease in tax income from temporary differences.

\* Possible impact on the company's future financial operations and response plans regarding the expected sales volume in the coming year and their basis:

The Company has proposed the following response plans based on the state of the operating conditions in 2019 and possible impact on the Company's future financial operations:

1. Increase customer dispersion and the proportion of high value products  
With the ongoing development of Chinese customers and the market for high-value small and medium-sized products, the Company hopes to bring new revenue growth while increasing customer diversification.

2. Adjust the structure for orders and products

Compared to past operational conditions, for 2021, the Company will focus on adjusting the structure for orders and products, thanks to the Company's full production capacity. Less profitable orders will be eliminated to increase the proportion of high profitability products.

TV products: The main goal is to continue to introduce high-end products and stabilize unit prices, and will not increase the proportion of sales.

IT products: In light of the Covid-19 outbreak, home office and education markets have grown. In 2021, the Company will dedicate itself to promoting existing products to new customers to increase the revenue proportion for IT products.

Small and medium-sized products: In 2020, the Company centered on the penetration rate of our products in the market, whereas in 2021, the focus was more on increasing the proportion of products with high unit prices, and making plans for business opportunities for the rebound of mobile phones in 2022.

3. Achieving economies of scale of Taiwan

Thanks to the continuous growth of the orders from new customers, the volume of the Company's capacity grew in 2020 Q4. In the future, achieving economies of scale of Taiwan will be an ongoing main objective.

In summary, CMMT expects to improve its profitability in 2021 so as to optimize its financial structure and cash flow.

### III. Cash flow analysis:

Analyze and explain of any changes over the most recent fiscal year in the company's cash flows; describe how the company plans to address any illiquidity problems; and provide an analysis of the company's cash liquidity for the coming fiscal year

#### (I) Cash flow changes during the most recent fiscal year:

Unit: NT\$ thousand

Item	2019	2020	Amount change
Business activities	723,030	-362,081	-1,085,111
Investment activities	-4,527,761	486,741	5,014,502
Financing activities	498,645	129,820	-368,825
Total	-3,306,086	254,480	3,560,566

Analysis of cash flow changes:

1. Business activities: Net loss before tax increased, receivables and inventories decreased, and accounts payable increased in 2020 from 2019, resulting in a net cash outflow from operating activities in 2020.
2. Investment activities: The Company's cash payments for property, plant and equipment and cash outflows from disposing of subsidiaries decreased, resulting in a net cash inflow from investment activities.
3. Financing activities: Repayment of short-term loans and short-term loans both decreased, resulting in a decrease in net cash inflow in financing activities.

#### (II) Corrective measures to be taken in response to illiquidity:

1. Continue to strengthen and control the Company's inventory stock to reduce the Company's unnecessary capital.

#### (III) Liquidity analysis for the coming year (2020)

Unit: NT\$ thousand

Opening Cash Balance (1)	Estimated annual net cash flows from operating activities (2)	Estimated annual cash inflows (3)	Estimated remaining cash (1)+(2)+(3)	Responsive measures and liquidity analysis for expected cash flow deficit	
				Investment plan	Financial plan
412,618	600,000	-320,000	692,618	-	-

Analysis of cash flow changes for the coming year:

- A. Operating activities: Operating conditions continue to improve, and the business continues to generate cash inflows.
- B. Investment activities: Invest in process improvement, production capacity optimization and production capacity debottlenecking capital expenditures.
- C. Financing activities: None.

### IV. The annual report shall describe the effect upon financial operations of any major capital expenditures during the most recent fiscal year:

#### (1) Major capital expenditures and sources of funds:

The material capital expenditure in 2020 was NT\$320 million. The expenditure is financed by our own funds and is expected to purchase machinery and equipment in Taiwan.

#### (II) Possible effects to be produced:

The Company continues to improve its production processes, while introducing new technologies and materials and debottlenecking existing production lines. By optimizing production cost, the added value and quality of products can be improved.

**(III) Investment plan for the coming year:** The main investment activity in 2021 is to upgrade Taiwan's production lines; there are no other large investment.

**V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:**

**(I) Reinvestment policy for the most recent fiscal year:**

The Company's investment policy is based on the industry's development and operational needs. In line with costumers we plan supply chain layout, and the Company's consideration is the principle of long-term strategic investments instead of short-term financial investments.

**(II) The main reasons for the profits or losses generated or the most recent fiscal year (2020)**

December 31, 2020; Unit: NT\$ thousand

Investment business name	Shareholding Ratio	Investment gain or loss recognized	Main reason for the gain or loss	Improvement plan
CMMT (Samoa)	100%	210,235	Recognized as the investment income of Ningbo CMMT.	None
CMVT	22.96%	(34,347)	The introduction of products to the panel maker was behind; the panel maker's technology for high-resolution production is not yet mature.	Enhance roller yields and increase customer orders
Ningbo CMMT	100%	210,235	Product selling prices improved slightly in 2020.	Introduce new materials and reduce costs; products will continue to be high quality to improve profit
Chi Mei Materials Technology Investment Co., Ltd.	100%	178,658	Recognized as investment income of Kunshan CMMT.	None
Kunshan CMMT	38.4%	178,658	The production capacity availability increased slightly, the related costs and fixed expenses could not be absorbed, resulting in high unit costs.	The production capacity is smooth, and the machine speed continues to improve; products will continue to stay high-quality to improve profit.
Cheng Hui Investment Co., Ltd.	100%	(3,689)	Recognized as investment loss of CMVT.	None
Cheng Hui Trading Co., Ltd.	100%	(2,762)	Loss recognized as inventories did not sell as expected	None

### **(III) Investment plans for the coming year:**

The Company has developed new customers and adjusted sale products, and the Taiwan and Ningbo plants are expected to purchase new equipment to tackle production capacity bottlenecks in order to increase the proportion of sales of large-size products. In addition, in terms of improvement of technology, the Company has purchased additional production equipment for new products to optimize the production process and reduce the working process, further reducing production cost.

## **VI. The section on risks shall analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report:**

### **(I) The effect upon the Company's profits or losses of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:**

#### 1. Interest rate

The Company suffered a continues loss from 2016 to 2019; the capital source was mainly from sales revenue and short-term bank loans. In the beginning of 2019, the Company applied for a debt negotiation and it is expected that the borrowing rate may increase as a result. Assuming that the annual borrowing balance is NT\$3.3 billion, each quarter of a percent increase in interest rate will increase interest by NT\$3,750 thousand, not posing a significant impact on the Company's profit or loss.

#### 2. Exchange rate:

The Company has designated dedicated personnel in the financial department to collect exchange rate-related information at all times, while maintaining close contact with banks to get a grasp of the banks' views on exchange rate trends and information associated with the global economy. By doing so, the Company will be able to evaluate future exchange transactions and forward exchange agreements at appropriate times in order to further reduce the impact of exchange rate risk on the Company's profit or loss.

#### 3. Inflation:

Looking forward to the future, the Company will continue to keep a close and interactive relationship between our suppliers and customers, also optimizing the production capacity to achieve economies of scale and continue to improve process capacity to reduce production cost. By taking these approaches, the Company expects to reduce the impact of inflation posed on its profit or loss.

### **(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:**

1. During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report (March 25, 2021), the Company did not engage in high-risk investments, highly leveraged investments, or providing loans to other parties.

2. For details regarding loaning funds to others and endorsements/guarantees, please refer to pages 107–109.

3. The Company's policy for operating derivative financial instruments is as follows:

The Company engages in derivatives transactions with a focus on hedging net positions of foreign currencies. In the future, the Company will keep on monitoring the trend of foreign currency exchange rates and engage in derivative financial instruments accordingly in an attempt to reduce the exchange rate risk of

our net foreign currency positions.

**(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:**

In 2020, CMMT invested NT\$190 million in R&D expenditure, accounting for 2.0% of revenue, and has been following the operations strategy of continuous high value products and ongoing development of products other than polarizers. In the future, the Company will concentrate on the cultivation of R&D talent to persist in strengthening technical capabilities while accelerating the development of non-polarizer businesses. In 2021, NT\$220 million is expected to be invested on the R&D of polarizer products, while also investing in the development of non-polarizer products depending on the development progress. Taking into account the industry development and economic conditions, the Company will consider to increase or decrease R&D expenses for polarizers and non-polarizer businesses.

**(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:**

It is a priority for the Company to abide by applicable domestic and foreign laws and regulations. The Company also keeps a close eye on policies and laws that may affect the normal operation of the Company to ensure that the Company is running accordingly. When necessary, the Company consults with professional entities including lawyers and accountants, or appoints these entities to assess, recommend and plan countermeasures, achieving compliance with laws while reducing the adverse impact on the Company's financial operations.

**(V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:**

The Company takes technological changes and industrial changes seriously. The Company does not settle for the current situation, but proactively seeks forward-looking electronic chemical products and continues the development of new product lines, achieving the objective of sustainability.

**(VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:**

Since its establishment, the Company has been working hard to uphold the concept of ethical, stable and sustainable management, enforcing strict compliance with laws and internal control regulations, and making adjustment accordingly.

**(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken:**

As of now, the Company has no plans for M&A.

**(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:**

In 2020, the Company did not have any significant capital expenditure for plant expansion and new production capacity; in 2021, capital expenditure will focus on production capacity debottlenecking and optimization of thin production process equipment. The Company will concentrate on the increase of customers' orders and quality improvement, while at the same time accelerating the optimization of product portfolio, enhancing the added value of products.

The Company has also outsourced a manufacturer to meet the capacity shortage issue. In addition to the increase in quality control costs, it also results in a longer production process and an increase in inventory demand. The Company will implement a production capacity debottlenecking strategy to replace outsourced production capacity to help the Company to control quality and reduce cost.

**(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:**

Concentration of imports: The raw materials for upstream are an oligopolistic market, a characteristic of the industry. The Company has always maintained a good relationship with suppliers with uninterrupted communication, and has established security control over its inventory. There is also a second supplying source in place, and the Company is currently doing its utmost to seek the possibility of substitution of domestic manufacturers.

Concentration of sales: Sales customers are concentrated due to the characteristics of the industry, which makes it easy for a single customer to reduce sales, resulting in a decline in revenue and a decline in profit. In response to such situation, the Company continued to expand the development of new customers in 2020. The percentage of sales to major customers has reduced. For major customers, we will provide quality products and services as a means to maintain the stable relationship. Meanwhile, we will also strengthen the development of new customers and continue to disperse customers to reduce the risk of customer concentration.

**(X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director (including independent director), or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.**

**(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.**

**(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director (including independent director), the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where the result of 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. Main parties involved in litigation:

Plaintiff: Cheng Hui Investment Co., Ltd. (the Company's subsidiary)

Legal representative: Ho Jau-Yang

Defendant: Yeh Mei-Li

2. Date of litigation commencement: 2020-04-23

3. Cause for the incident (including the subject of the litigation):

On June 25, 2019, the Plaintiff filed a provisional attachment to seize the Defendant's property with the Taipei

District Court; the Defendant filed a petition for a limited time for a lawsuit with the Taipei District Court. On October 16, 2009, the Taipei District Court approved the lawsuit with order letter Quan-Sheng-Zi No. 149. Therefore, the Plaintiff filed a civil lawsuit against the Defendant for unjust enrichment and damages, and filed a lawsuit in the Taipei District Court on April 23, 2020. Plaintiff's statement of claim is as follows:

(1) The Defendant shall pay the Plaintiff NTS\$37,500,000 (thirty-seven million five hundred thousand dollars) plus interest of 5% per annum from the day after the lawsuit order until it is repaid.

(2) The Defendant is willing to provide a guarantee and appealed for a provisional execution.

(3) Lawsuit expenses are born by the defendant. Where a judgment is entered to reverse or to amend the judgment on the merits to which provisional execution is declared

4. Process:

Still in the litigation process.

**(XIII) Other important risks, and mitigation measures being or to be taken: None.**

**VII. Other important matters: None.**

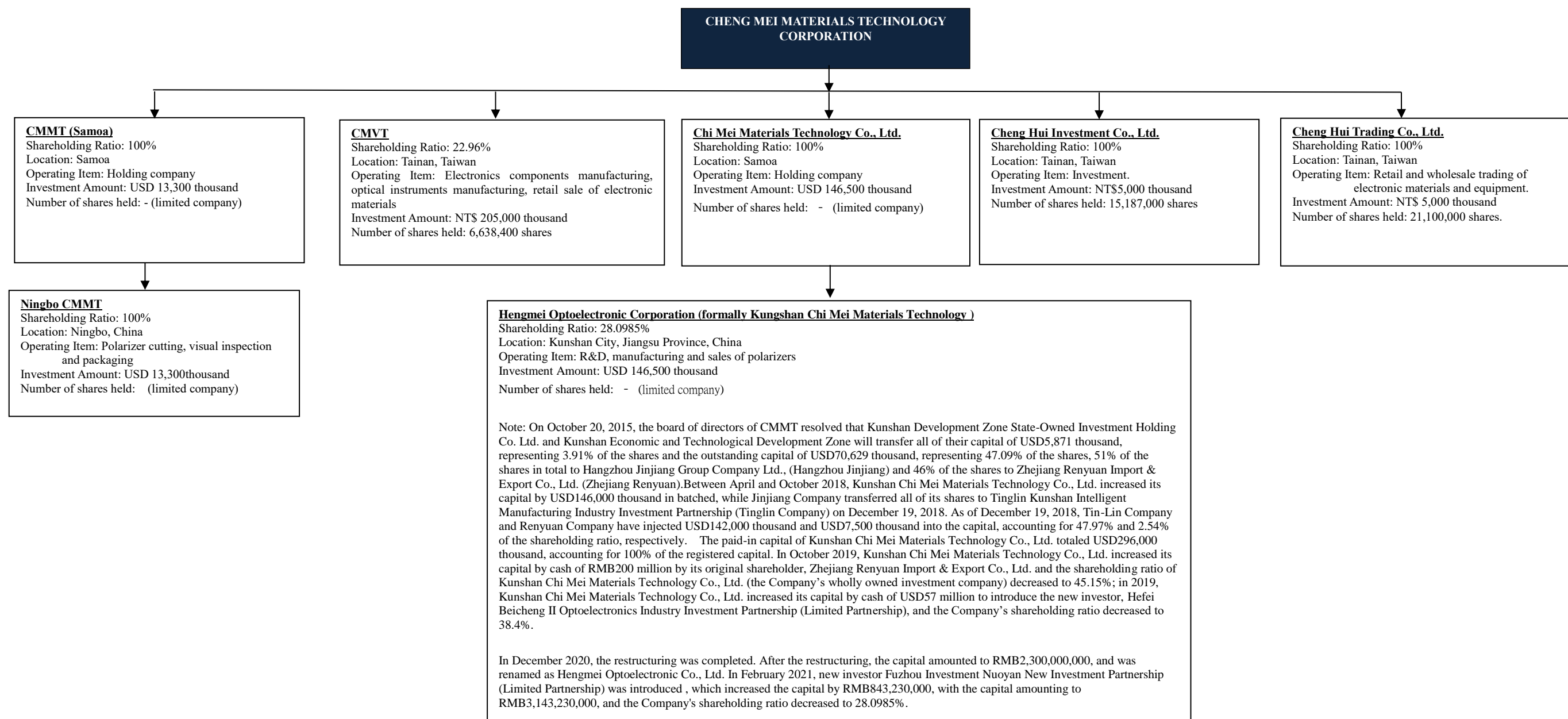
Eight. Special Items to Be Included

I. Information related to the company's affiliated enterprises:

(I) Overview of the Company's affiliated enterprises:

1. Organizational chart of affiliated enterprises:

Date: March 25, 2021



2. Basic information of affiliated enterprises:

March 9, 2021

Company name	Incorporation date	Address	Paid-in capital	Major business or production item
CMMT (Samoa)	2005-12-08	Offshore Chambers P.O. Box 217, Apia, Samoa	USD 13,300 thousand	Holding company
CMVT	2010-09-10	No. 13, Muzhagang West Road, Shanhua District, Tainan City	NTD 289,120 thousand	Sales and manufacturing of electronic materials
Ningbo CMMT	2016-02-06	No. 2, Alishan Road, Ningbo Export Processing Zone	USD 13,300 thousand	Sales and manufacturing of electronic materials
Chi Mei Materials Technology Investment Co., Ltd.	2014-03-07	TMF Chambers, P. O. Box 3269, Apia, Samoa	USD 146,500 thousand	Holding company
Hengmei	2014-05-13	111 Jianhu Road, Kunshan Economic and Technological Development Zone	RMB 3,143,230 thousand	R&D, manufacturing and sales of polarizers
Cheng Hui Investment Co., Ltd.	2015-06-26	No. 13, Muzhagang West Road, Shanhua District, Tainan City	NTD 151,870 thousand	Investment activities
Cheng Hui Trading Co., Ltd.	2017-01-12	No. 13, Muzhagang West Road, Shanhua District, Tainan City	NTD 211,000 thousand	Trading business

3: Where connections exist among the businesses operated by individual affiliated enterprises, a description of the mutual dealings and division of work among such affiliated enterprises should be provided:

March 9, 2021

Company name	Major business or production item	The state of division of work
CMMT (Samoa)	Holding company	Holdings
CMVT	Electronics components manufacturing, optical instruments manufacturing, retail sale of electronic materials	Affiliated enterprise
Ningbo CMMT	Sales and manufacturing of electronic materials	Purchases the Company's polarizing rolls for post-process cutting, inspection, packaging and sales
Chi Mei Materials Technology Investment Co., Ltd.	Holding company	Holdings
Hengmei Optoelectronic Corporation	Sales and manufacturing of electronic materials	The technology of the Company's polarizer related plant construction and production is licensed to the significant invested company – Hengmei Optoelectronic Corporation to carry out operations involving R&D, manufacturing and sales of polarizers
Cheng Hui Investment Co., Ltd.	Holding company	Investment activities
Cheng Hui Trading Co., Ltd.	Trading company	Retail and wholesale trading of electronic materials and equipment.

4. Information on directors/supervisors and presidents of affiliated enterprises:

March 12, 2021; unit: share

Company name	Title	Name or	Shareholding	
		Representative	Number of Shares	Shareholding ratio %
CMMT (Samoa)	Executive director	Cheng Mei Materials Technology Corp. Representative: Ho Jau-Yang	Note 1	100%
	Secretary	Legal entity: CMMT		
CMVT	Chairperson	Himax Technologies, Inc. Representative: Li Wang-Yang	19,288,498	66.71%
	Director and President	Himax Technologies, Inc. Representative: Wu Ping-Sheng		
	Director and President	Himax Technologies, Inc. Representative: Shen Yi-Pin		
	Director	Cheng Mei Materials Technology Corp. Representative: Ho Jau-Yang	6,638,400	22.96%
	Director	Cheng Mei Materials Technology Corp. Representative: Sheng Hai-Tien		
	Supervisor	Lien Wei-Chung	0	0%
	Supervisor	Li Tsung-Yi	0	0%
Ningbo CMMT	Executive director	CMMT (Samoa) Representative: Ho Jau-Yang	Note 1	Note 2
	Supervisor	Lien Wei-Chung		
Chi Mei Materials Technology Investment Co., Ltd.	Executive director	Cheng Mei Materials Technology Corp. Representative: Ho Jau-Yang	Note 1	100%
	Secretary	Legal entity: CMMT		
Hengmei (Note 3)	Chairperson	Huang Yuan	0	0%
	Director	Chen Li-Ken	0	0%
	Director	Ho Jau-Yang	0	0%
	Director	Lo Lai-Huang	0	0%
	Director	Chang Pai-Che	0	0%
	Director	Ku Chien-Yu	0	0%
	Director	Li Chung-Ya	0	0%
	Supervisor	Lien Wei-Chung	0	0%
	Supervisor	Chou Shih-Lung	0	0%
	President	Yen Ping-Hua	0	0%
Cheng Hui Investment Co., Ltd.	Chairperson	Cheng Mei Materials Technology Corp. Representative: Ho Jau-Yang	15,187,000	100%

	Supervisor	Cheng Mei Materials Technology Corp. Representative: Ma Shao-Heng		
Cheng Hui Trading Co., Ltd.	Chairperson	Cheng Mei Materials Technology Corp. Representative: Ho Jau-Yang	21100000	100%
	Supervisor	Cheng Mei Materials Technology Corp. Representative: Ma Shao-Heng		

Note 1: A limited company.

Note 2: A sub-subsidiary, 100% indirectly owned.

Note 3: On October 20, 2015, the board of directors of CMMT resolved that Kunshan Development Zone State-Owned Investment Holding Co. Ltd. and Kunshan Economic and Technological Development Zone will transfer all of their capital of USD5,871 thousand, representing 3.91% of the shares and the outstanding capital of USD70,629 thousand, representing 47.09% of the shares, 51% of the shares in total to Hangzhou Jinjiang Group Company Ltd., (Hangzhou Jinjiang) and 46% of the shares to Zhejiang Renyuan Import & Export Co., Ltd. (Zhejiang Renyuan). As of May 16, 2016, Hangzhou Jinjiang and Zhejiang Renyuan have contributed USD69,000 thousand and USD7,500 thousand, respectively, making the paid-in capital of Kunshan CMMT USD150,000 thousand, accounting for 100% of the registered capital. As of December 31, 2016, CMMT has invested US\$73,500 thousand, holding 49% of the shares. As of October 2019, the capital of Kunshan CMMT was increased by its original shareholder by RMB200 million in cash, reducing the Company's shareholding ratio to 45.15%. As of December 2019, Kinshan CMMT increased its capital by US\$57 million and introduced a new investor - Hefei Beicheng II Optoelectronics Industry Investment Partnership (limited partnership), in which the Company holds 38.4% of its shares. In February 2021, a new investor, Fuzhou Xin-Tou-Nou-Yan Investment Partnership (limited partnership), was introduced, increasing the capital by RMB843,230,000, totaling RMB3,143,230,000. The Company holds 28.0985% of its shares.

Note 4: In August 2016, CMMT transferred 00% of shares of Ningbo CMMT was transferred to Kunshan CMMT. The Company indirectly holds 38.4% of its shares.

Note 5: Xi'an Jingyao Hongtai Company was established in October 2017 with its 100% shares originally held by Zhejiang Hengjie Industry Co., Ltd. On March 12, 2018, Hengmei Optoelectronic Corporation acquired its 100% shares. The Company indirectly holds 38.4 of its shares.

〈 II 〉 Overview of the operations of each associate

1. Table of the operations of each associate:

December 31, 2020; Unit: NT\$ thousand

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Net income after tax for the period	Earnings per share (NT\$)
Cheng Mei Materials Technology Corp.	6,657,285	13,654,234	4,032,618	9,621,616	8,757,795	(431,260)	(85,555)	(0.13)
CMMT (Samoa)	431,482	1,023,963	240	1,023,723	-	-	210,235	
Ningbo CMMT	590,061	2,405,804	1,381,845	1,023,959	3,675,788	204,471	210,235	Note 2
CMVT	289,120	347,095	75,705	771,390	147,323	(61,553)	(43,717)	
Chi Mei Materials Technology Investment Co., Ltd.	4,447,763	3,881,555	268	3,881,287	-	(0.46)	178,658	Note 2
Hengmei	8,607,722	21,778,366	11,670,165	10,108,201	9,813,410	516,312	465,256	Note 2
Cheng Hui Investment Co., Ltd.	151,870	16,320	339	15,981	-	(552)	(3,689)	
Cheng Hui Trading Co., Ltd.	211,000	49,551	753	48,798	-	(3,814)	(2,763)	

Note 1: To invest in companies through reinvesting in an existing company in a third area.

Note 2: Limited company.

2. Transaction information on endorsements/guarantees, lending funds to others and derivatives transactions of affiliated enterprises:

(1) Endorsements/guarantees

Providing endorsements/guarantees to others

January 1 to December 31, 2020

Units: NT\$ thousand unless, otherwise specified

Number	Company name of which the Company provides endorsements/guarantees to	Endorsed/guaranteed party		Providing endorsements/guarantees to a single entity (Note 3)	Maximum endorsement/guarantee balance for the period	Endorsement/guarantee balance at the end of the period	Actual amount drawn down	Number of endorsements/guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net worth of the endorser/guarantor's most recent financial statements	Ceiling on total amount of endorsements/guarantees provided (Notes 3 and 4)	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in China
		Company name	Relationship										
0	The Company	Hengmei	Note 2	\$ 4,810,808	\$ 3,502,344	\$ 3,502,344	\$ 2,364,136	\$ -	36.40%	\$ 9,621,616	No	No	Yes

Note 1: A company in which the Company directly and/or indirectly holds 90 percent or more of the voting shares.

Note 2: Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Note 3: According to the Company's "Management Procedures for Endorsements/Guarantees", the aggregate amount of an endorsement/guarantee shall not exceed the net worth of the current period. The amount of an endorsement/guarantee provided to a single entity may not exceed 50% of the net worth of the current period.

Note 4: The amount of the Company's endorsements/guarantees to Hengmei was calculated based on the shareholding ratio at the time of the provision. As Hengmei carried out a cash capital increase and the Group did not subscribe according to the shareholding ratio, it resulted in a decrease of shareholding ratio.

However, the Company has signed a credit counter-guarantee agreement with Hangzhou Jinjiang Group Company Ltd. and agreed to provide a counter-guarantee responsibility for the Company's debt to Hengmei for the portion of the Company's endorsement/guarantee, ensuring the repayment of the principal debt loan on time in accordance with the repayment schedule.

(2) Loaning of funds

Loaning Funds to Others  
January 1 to December 31, 2020

Units: NT\$ thousand, unless otherwise specified

Number	Creditor	Borrower	General ledger account	Whether or not a related party	Maximum balance of the period	Balance at the end of the period	Actual amount drawn down	Interest rate range	Nature of loan	Number of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Name	Value		
0	Cheng Mei Materials Technology Corp.	CMVT	Other receivables - related parties	Yes	85,000	-	-	2.50%	Short-term financing	-	Additional operating capital	-	None	-	960,624	3,848,646
0	Cheng Mei Materials Technology Corp.	Hengmei	Other receivables - related parties	Yes	584,307	-	-	-	Business dealings	4,376	-	-	None	-	5,974	962,162
1	Ningbo CMMT	Hengmei	Other receivables - related parties	Yes	256,617	-	-	-	Business dealings	50	-	-	None	-	50	409,584
2	Mao Fong Group Co.,Ltd.	Cheng Mei Materials Technology Corp.	Other receivables - related parties	Yes	27,056	27,056	27,056	2.97%	Short-term financing	-	Additional operating capital	-	None	-	960,624	1,924,323

Note 1: The amount loaned to a single borrower from the Company shall not exceed the amount of business relations between the 2 parties in the most recent year.

Note 2: The total amount of the Company's loans shall not exceed 60% of the Company's net worth for the period.

(3) Information on derivatives transactions: None.

(III) Consolidated financial statements of the affiliated enterprises for the most recent fiscal year: Appendix A

(IV) Affiliation report of the affiliated enterprises:

**1. Representation Letter**

## **Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of CHENG MEI MATERIALS TECHNOLOGY CORPORATION (the “Consolidated FS of the Affiliates”), we present to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of CHENG MEI MATERIALS TECHNOLOGY CORPORATION and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, CHENG MEI MATERIALS TECHNOLOGY CORPORATION does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

CHENG MEI MATERIALS TECHNOLOGY CORPORATION

By  
Jau-Yang Ho, Chairman  
March 23, 2021

2. Relationship status between subordinate companies and the controlling company: None.

3. Transactions between subordinate companies and the controlling company:

(1) Import and export transactions: None.

(2) Property transactions: None.

(3) Loaning of funds:

On May 7, 2020, the board of directors of CMMT approved loaning funds to the investment subsidiary CMVT in which the Company holds 22.96% of the shares. As of December 31, 2020, the balance at the end of the period and the actual expenditures were NT\$0.

On May 7, 2020, the board of directors of CMMT approved loaning funds to the investment subsidiary Hengmei (formally Kungshan CMMT) in which the Company holds 38.4% of the shares. As of December 31, 2020, the balance at the end of the period and the actual expenditures were NT\$0.

On May 7, 2020, the board of directors of Ningbo approved loaning funds to the investment subsidiary Hengmei (formally Kungshan CMMT) due to sales business dealings. As of December 31, 2020, the balance at the end of the period and the actual expenditures were NT\$0.

On November 6, 2020, the board of directors of Mao Fong Group Co., Ltd. approved loaning funds to CMMT due to business turnover. As of December 31, 2020, the balance at the end of the period and the actual expenditures were NT\$27,056 thousand.

(4) Asset leasing: None.

(5) Other significant transactions (e.g. production and sales contract, acquisition of bonds issued by the controlling company, subscription of new shares issued by the controlling company after the original shareholders waived their rights for subscription): None.

(6) Endorsements and guarantees:

On August 10, 2016, November 6, 2018, and January 31, 2020, the board of directors of CMMT approved to provide an endorsement/guarantee for the bank loan of Kunshan CMMT based on shareholding rate 49% and 49.49%. As of December 31, 2020 the balance at the end of the period was NT\$3,502,344,000 and the actual expenditures 2020 was NT\$2,364,136,000.

(7) Other matters that may pose significant financial or business impact:

In 2020 (from January 1 to December 31, 2020), all companies that should be included in the consolidated financial statements of affiliated enterprises in accordance with the “Regulations Governing the Preparation of Consolidated Financial Statements of Affiliated enterprises and Reports of Affiliated enterprises” are the same. The consolidated financial statements of affiliated enterprises have been disclosed in the parent and subsidiary financial statements; therefore, separate consolidated financial statements of the affiliated enterprises will not be prepared.

II. Whether the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None

III. Holding or disposal of shares in the Company by the Company’s subsidiaries during the most recent fiscal

year or during the current fiscal year up to the date of publication of the annual report: None

IV. Other matters that require additional description: None

Nine. Other Disclosures: None

**CHENG MEI MATERIALS TECHNOLOGY  
CORPORATION (FORMERLY CHI MEI  
MATERIALS TECHNOLOGY  
CORPORATION) AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND  
SUBSIDIARIES)  
DECEMBER 31, 2020 AND 2019 CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
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## **Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of CHENG MEI MATERIALS TECHNOLOGY CORPORATION (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of CHENG MEI MATERIALS TECHNOLOGY CORPORATION and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, CHENG MEI MATERIALS TECHNOLOGY CORPORATION does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

CHENG MEI MATERIALS TECHNOLOGY CORPORATION

By

Jau-Yang Ho, Chairman

March 23, 2021

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Cheng Mei Materials Technology Corporation

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Cheng Mei Materials Technology Corporation (formerly Chi Mei Materials Technology Corporation) and subsidiaries (collectively referred herein as the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matter***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

### ***Impairment assessment of property, plant and equipment***

#### Description

In terms of property, plant and equipment, refer to Note 4(16) for the relevant accounting policies, Note 5(2) for uncertainty of accounting estimates and assumptions and Note 6(9) for account details.

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

#### How our audit addressed the matter

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

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

### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Cheng Mei Materials Technology Corporation as at and for the years ended December 31, 2020 and 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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Liu, Zi-Meng

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Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

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

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 412,618	3	\$ 192,942	1
1110	Current financial assets at fair value through profit or loss	6(2)	1,062	-	571	-
1136	Current financial assets at amortised cost	6(4) and 8	304,592	2	202,507	1
1170	Accounts receivable, net	6(5)	2,611,983	18	417,955	3
1180	Accounts receivable, net - related parties	6(5) and 7	44,720	-	1,933,610	14
1200	Other receivables		65,233	1	58,028	-
1210	Other receivables - related parties	7	54,041	-	805,391	6
1220	Current tax assets	6(26)	732	-	1,006	-
130X	Inventories	5 and 6(6)	2,505,093	17	2,146,069	15
1410	Prepayments	6(7)	239,697	2	71,868	1
1479	Other current assets		9,596	-	18,282	-
11XX	<b>Total current assets</b>		<u>6,249,367</u>	<u>43</u>	<u>5,848,229</u>	<u>41</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	5 and 6(3)	140,849	1	169,740	1
1550	Investments accounted for using equity method	6(8)	3,948,618	27	3,638,064	26
1600	Property, plant and equipment	5, 6(9) and 8	4,000,705	27	4,358,111	31
1755	Right-of-use assets	6(10)	30,782	-	30,996	-
1780	Intangible assets	6(11)	8,508	-	32,087	-
1840	Deferred tax assets	6(26)	89,720	1	76,381	1
1915	Prepayments for equipment		94,335	1	50,775	-
1990	Other non-current assets		8,791	-	9,124	-
15XX	<b>Total non-current assets</b>		<u>8,322,308</u>	<u>57</u>	<u>8,365,278</u>	<u>59</u>
1XXX	<b>Total assets</b>		<u>\$ 14,571,675</u>	<u>100</u>	<u>\$ 14,213,507</u>	<u>100</u>

(Continued)

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

**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(12) and 8	\$ 2,548,884	18	\$ 2,788,425	20
2130	Contract liabilities	6(19) and 7	51,627	-	22,169	-
2170	Accounts payable		1,344,723	9	1,072,008	8
2180	Accounts payable - related parties	7	2,430	-	1,240	-
2200	Other payables	6(13)	411,849	3	423,098	3
2280	Current lease liabilities		55	-	55	-
2320	Current portion of long-term bank loans	6(14) and 8	228,912	2	200,000	1
2399	Other current liabilities		7,408	-	8,890	-
21XX	<b>Total current liabilities</b>		<u>4,595,888</u>	<u>32</u>	<u>4,515,885</u>	<u>32</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(14) and 8	318,028	2	-	-
2570	Deferred tax liabilities	6(26)	36,013	-	22,674	-
2580	Non-current lease liabilities		90	-	145	-
2645	Guarantee deposits		40	-	40	-
25XX	<b>Total non-current liabilities</b>		<u>354,171</u>	<u>2</u>	<u>22,859</u>	<u>-</u>
2XXX	<b>Total liabilities</b>		<u>4,950,059</u>	<u>34</u>	<u>4,538,744</u>	<u>32</u>
Equity attributable to the owners of the company						
Share capital						
3110	Common shares	6(16)	6,657,285	46	6,657,285	47
Capital surplus						
3200	Capital surplus	6(17)	938,942	6	944,026	7
Retained earnings						
3310	Legal reserve	6(18)	1,085,124	7	1,085,124	8
3320	Special reserve		676,861	5	447,530	3
3350	Unappropriated retained earnings		886,772	6	1,201,658	8
Other equity interest						
3400	Other equity interest		( 623,368)	( 4)	( 676,861)	( 5)
31XX	<b>Total equity attributable to owners of the Company</b>		<u>9,621,616</u>	<u>66</u>	<u>9,658,762</u>	<u>68</u>
36XX	Non-controlling interest	4(3) and 6(28)	-	-	16,001	-
3XXX	<b>Total equity</b>		<u>9,621,616</u>	<u>66</u>	<u>9,674,763</u>	<u>68</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 14,571,675</u>	<u>100</u>	<u>\$ 14,213,507</u>	<u>100</u>

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

**CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)

		Year ended December 31			
Items		2020		2019	
		AMOUNT	%	AMOUNT	%
4000	Net sales	\$ 9,456,875	100	\$ 14,896,250	100
5000	Cost of sales				
		( 9,149,122)	( 97)	( 14,326,772)	( 96)
5900	Gross profit	307,753	3	569,478	4
	Operating expenses				
6100	Selling and marketing expenses	( 165,187)	( 2)	( 255,549)	( 2)
6200	General and administrative expenses	( 220,607)	( 2)	( 390,150)	( 3)
6300	Research and development expenses	( 191,607)	( 2)	( 459,168)	( 3)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	-	-	85,223	1
6000	Total operating expenses	( 577,401)	( 6)	( 1,019,644)	( 7)
6900	Loss from operations	( 269,648)	( 3)	( 450,166)	( 3)
	Non-operating income and expenses				
7100	Interest income	5,012	-	32,748	-
7010	Other income	104,831	1	86,258	1
7020	Other gains and losses	( 34,243)	-	( 73,582)	( 1)
7050	Finance costs	( 67,621)	( 1)	( 332,685)	( 2)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	171,092	2	( 1,421)	-
7000	Total non-operating income and expenses	179,071	2	( 288,682)	( 2)
7900	<b>Loss before income tax</b>	( 90,577)	( 1)	( 738,848)	( 5)
7950	Income tax expense	( 894)	-	( 21,598)	-
8200	<b>Loss for the period year</b>	( \$ 91,471)	( 1)	( \$ 760,446)	( 5)
	<b>Other comprehensive income (loss) Items that may be reclassified subsequently to profit or loss</b>				
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	( \$ 28,891)	-	( \$ 58,915)	( 1)
	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	82,384	1	( 308,425)	( 2)
8300	<b>Total other comprehensive income (loss)</b>	\$ 53,493	1	( \$ 367,340)	( 3)
8500	<b>Total comprehensive loss for the year</b>	( \$ 37,978)	-	( \$ 1,127,786)	( 8)
	Net loss attributable to:				
8610	Owners of the Company	( \$ 85,555)	( 1)	( \$ 688,559)	( 5)
8620	Non-controlling interests	( 5,916)	-	( 71,887)	-
	Net loss	( \$ 91,471)	( 1)	( \$ 760,446)	( 5)
	Total comprehensive loss attributable to:				
	to:				
8710	Owners of the Company	( \$ 32,062)	-	( \$ 917,840)	( 7)
8720	Non-controlling interests	( 5,916)	-	( 209,946)	( 1)
	Net loss	( \$ 37,978)	-	( \$ 1,127,786)	( 8)
	Loss per share				
9750	Basic loss per share	( \$ 0.13)		( \$ 1.03)	
9850	Diluted loss per share	( \$ 0.13)		( \$ 1.03)	

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

**CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									
		Retained earnings					Other equity interest			Non-controlling interest	Total equity
		Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total		
<b>Year ended December 31, 2019</b>											
Balance at January 1, 2019		\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ 10,484,265	\$ 3,700,504	\$ 14,184,769
Net loss for the year		-	-	-	-	( 688,559 )	-	-	( 688,559 )	( 71,887 )	( 760,446 )
Other comprehensive loss for the year	6(3)	-	-	-	-	-	( 170,366 )	( 58,915 )	( 229,281 )	( 138,059 )	( 367,340 )
Total comprehensive loss for the year		-	-	-	-	( 688,559 )	( 170,366 )	( 58,915 )	( 917,840 )	( 209,946 )	( 1,127,786 )
Appropriations and distribution of 2018 earnings:											
Special reserve	6(18)	-	-	-	201,306	( 201,306 )	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	50	-	( 50 )	-	-	-
Changes in ownership interests in subsidiaries	6(17)(28)	-	92,337	-	-	-	-	-	92,337	780,235	872,572
Decrease in non-controlling interests	6(28)	-	-	-	-	-	-	-	-	( 4,254,792 )	( 4,254,792 )
Balance at December 31, 2019		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762	\$ 16,001	\$ 9,674,763
<b>Year ended December 31, 2020</b>											
Balance at January 1, 2020		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762	\$ 16,001	\$ 9,674,763
Net loss for the year		-	-	-	-	( 85,555 )	-	-	( 85,555 )	( 5,916 )	( 91,471 )
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	-	82,384	( 28,891 )	53,493	-	53,493
Total comprehensive income (loss) for the year		-	-	-	-	( 85,555 )	82,384	( 28,891 )	( 32,062 )	( 5,916 )	( 37,978 )
Appropriations and distribution of 2019 earnings:											
Special reserve	6(18)	-	-	-	229,331	( 229,331 )	-	-	-	-	-
Changes in ownership interests in subsidiaries	6(17)(28)	-	( 5,084 )	-	-	-	-	-	( 5,084 )	5,084	-
Decrease in non-controlling interests	6(28)	-	-	-	-	-	-	-	-	( 15,169 )	( 15,169 )
Balance at December 31, 2020		\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ 9,621,616	\$ -	\$ 9,621,616

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

**CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		( \$ 90,577 )	( \$ 738,848 )
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(22)	16,481	35,062
Expected credit gain	12	-	( 85,223 )
Gain on disposal of investments	6(22)(28)	( 10,745 )	( 140,450 )
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	( 171,092 )	1,421
Depreciation expense	6(9)(10)(24)	428,426	968,586
Loss on disposal of property, plant and equipment	6(22)	( 2,624 )	5,294
Amortization expense	6(11)(24)	12,738	46,828
Impairment loss on financial assets	6(4)(22)	-	49,000
Gain arising from lease modification	6(10)(22)	-	( 110 )
Interest income	6(20)	( 5,012 )	( 32,748 )
Dividend income	6(3)(21)	( 712 )	( 712 )
Interest expense	6(23)	67,621	332,685
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		29,813	112,056
Notes receivable		-	43,131
Notes receivable - related parties		-	18,806
Accounts receivable	(	2,205,138 )	2,091,097
Accounts receivable - related parties		1,888,890	( 1,964,923 )
Other receivables	(	14,201 )	127,047
Other receivables - related parties		513	33,702
Inventories	(	405,279 )	658,092
Prepayments	(	176,495 )	( 281,085 )
Other current assets		8,627	( 182,846 )
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	46,785 )	( 65,845 )
Current contract liabilities		32,365	( 11,591 )
Notes payable		-	( 156,037 )
Accounts payable		324,666	( 421,940 )
Accounts payable - related parties		1,190	660,394
Other payables		23,543	( 70,391 )
Other current liabilities	(	1,149 )	( 1,899 )
Cash (outflow) inflow generated from operations	(	294,936 )	1,028,553
Interest received		5,431	40,362
Dividends received		712	712
Interest paid	(	72,834 )	( 345,677 )
Income tax paid	(	1,176 )	( 1,389 )
Income tax refund		722	469
Net cash flows (used in) from operating activities	(	362,081 )	723,030

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**CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of non-current financial assets at fair value through other comprehensive income		\$ -	(\$ 14,478 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	1,550
Decrease in current in financial assets at amortised cost		( 102,085 )	( 48,130 )
Increase in other receivable - related parties		750,837	( 750,837 )
Acquisition of property, plant and equipment	6(29)	( 71,354 )	( 3,134,115 )
Proceeds from disposal of property, plant and equipment		9,884	2,240
Acquisition of intangible assets	6(11)	( 6,062 )	( 15,944 )
Increase in equipment prepayments		( 82,386 )	( 117,442 )
Increase in other non-current assets		( 1,625 )	( 24,109 )
Proceeds from disposal of subsidiaries	6(28)	( 10,468 )	( 426,496 )
Net cash flows from (used in) investing activities		<u>486,741</u>	<u>( 4,527,761 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	6(30)	4,366,149	12,051,891
Repayments of short-term borrowings	6(30)	( 4,582,851 )	( 13,492,388 )
Payments of lease liabilities	6(30)	( 418 )	( 14,226 )
Proceeds from long-term borrowings	6(30)	346,940	7,598,783
Repayments of long-term borrowings	6(30)	-	( 6,500,009 )
Decrease in guarantee deposits received	6(30)	-	( 9 )
Decrease in other non-current liabilities		-	( 17,969 )
Change in non-controlling interests	6(28)	-	872,572
Net cash flows from financing activities		<u>129,820</u>	<u>498,645</u>
Effect of exchange rate changes on cash and cash equivalents		( 34,804 )	393,602
Net increase (decrease) in cash and cash equivalents		219,676	( 2,912,484 )
Cash and cash equivalents at beginning of year	6(1)	192,942	3,105,426
Cash and cash equivalents at end of year	6(1)	<u>\$ 412,618</u>	<u>\$ 192,942</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).
- (2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depository shares.
- (3) The shareholders at the shareholders’ meeting approved the change of name of the Company from Chi Mei Materials Technology Corporation to Cheng Mei Materials Technology Corporation on June 22, 2018.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

##### (2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

#### B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
Cheng Mei Materials Technology Corporation (“CMMT”)	Cheng Mei Materials Technology (SAMOA) Corp. (“CMMTS”)	Investment Company	100%	100%	-
	(Formerly Chi Mei Materials Technology (SAMOA) Corp.)				
	CM Visual Technology Corporation (“CMVT”)	Electronic component manufacturing and selling	22.96%	68.33%	Note 3
	(Formerly Chi Mei Visual Technology Corporation)				
	Chi Mei Materials Technology Investment Co., Ltd. (“CMMTI”)	Investment Company	100%	100%	-
	Cheng Hui Investment Co., Ltd. (“CHI”)	Investment Company	100%	100%	-
	(Formerly Mao Yu Investment Co., Ltd.)				
CMMTS	Cheng Hui Trading Co., Ltd. (“CHT”)	Trading business	100%	100%	-
	(Formerly Mao Fong Trading Co., Ltd.)				
CMMTS	Ningbo Cheng Mei Materials Technology Co., Ltd. (“NBCMMT”)	Electronic component manufacturing and selling	100%	100%	-
	(Formerly Ningbo Chi Mei Materials Technology Co., Ltd.)				
CMMTI	Hengmei Optoelectronic Co., Ltd. (“HMO”)	Electronic component manufacturing and selling	38.4%	38.4%	Note 1
	(Formerly Kunshan Chimei Materials Technology Co., Ltd.)				

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2020	December 31, 2019	
HMO	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trading business	100%	100%	Note 2
	Xi'an Jinyahongtai New Materials Technology Co., Ltd. ("XJHM")	Electronic component manufacturing and selling	100%	100%	Note 2
CHI	CMVT	Electronic component manufacturing and selling	0.33%	11%	Note 3
CHT	Mao Fong Group Co., Ltd. (Mao Fong Group)	Investment Company	100%	100%	-
Mao Fong Group	Kunshan Xin Mao Fong International Trading Co., Ltd. ("KSMF")	Trading business	-	100%	Note 4

Note 1: The Group is the single largest shareholder of HMO. According to the agreement among shareholders, the Group is entitled to appoint a Chairman and recommend a person for the position of General Manager. Because the Group has control over HMO, HMO is classified as a subsidiary. In October 2019 and December 2019, HMO increased its capital in cash. The Group waived its right to participate in the capital increase, therefore the shareholding ratio was decreased to 38.4%. The Group is the single largest shareholder of HMO. Given that two other large shareholders (non-related parties) hold more shares than the Group and HMO reelected its directors, which indicate that the Group has no current ability to direct the relevant activities of HMO, the Group lost its control over HMO. Therefore, HMO is no longer included in the Group's consolidated financial statements. In October 2020, CMVT increased its capital in cash, the Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company and CHI was decreased to 22.96% and 0.33%, respectively. CMVT reelected its directors and the Group lost its control over CMVT. Therefore, CMVT is no longer included in the Group's consolidated financial statements. Please refer to Note 6(28) for details.

Note 2: Since KSCMS and XJHM were both the subsidiaries of HMO, and the Group lost its control over KSCMS and XJHM when the control over HMO was lost, therefore, KSCMS and XJHM are no longer included in the Group's consolidated financial statements.

Note 3: In July 2020, CMVT increased its capital in cash. The Company subscribed all the shares, therefore, the shareholding ratio of the Company and CHI was increased from 68.33% to 96.04% and decreased from 11% to 1.38%, respectively. In October 2020, CMVT increased its capital in cash, the Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company and CHI was decreased to 22.96% and 0.33%, respectively. CMVT reelected its directors and the Group lost its control over CMVT. Therefore, CMVT is no longer included in the Group's consolidated financial statements. Please refer to Note 6(28) for details.

Note 4: The cancellation of registration was completed on October 30, 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2020 and 2019, the non-controlling interest amounted to \$0 and \$16,001, respectively.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gain and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred

to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts receivable

A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration

all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	14 ~ 25 years
Machinery and equipment	4 ~ 10 years
Office equipment	3 ~ 5 years
Factory equipment	5 ~ 10 years
Other equipment	3 ~ 10 years

(17) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently

measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(18) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Core technology and licenses and franchises, are amortised on a straight-line basis over their estimated useful lives of 3~10 and 5 years, respectively.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

## B. Pensions

### Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

## C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

## (26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Revenue recognition

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

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

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

## (1) Critical judgements in applying the Group's accounting policies

### A. Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the good or service before it is provided to a customer include the following:

- (a) The Group is primarily responsible for the provision of goods or services;
- (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer; and
- (c) The Group has discretion in establishing prices for the goods or services.

### B. Control over subsidiaries

Note 4(3) describes that HMO is a subsidiary of the Group although the Group only holds less than half of the voting power of HMO. After considering the Group's absolute size of holding in HMO and the contractual arrangements between the Group and other investors, and other factors, management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of HMO, and therefore, the Group has control over HMO.

## (2) Critical accounting estimates and assumptions

### A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$2,505,093.

### B. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements

and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2020, the carrying amount of unlisted stocks without active market was \$140,849.

### C. Impairment of property, plant and equipment

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics.

Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2020, the Group recognised property, plant and equipment, net of impairment loss amounting to \$4,000,705.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 503	\$ 428
Checking accounts and demand deposits	180,134	106,242
Time deposits	<u>231,981</u>	<u>86,272</u>
	<u>\$ 412,618</u>	<u>\$ 192,942</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

C. Time deposits were classified as cash and cash equivalents with original maturities of less than three months. The Group has no time deposits pledged to others.

### (2) Financial instruments at fair value through profit or loss

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 1,062	\$ 571
Debt instruments	<u>3,500</u>	<u>3,500</u>
	4,562	4,071
Valuation adjustment	<u>(3,500)</u>	<u>(3,500)</u>
	<u>\$ 1,062</u>	<u>\$ 571</u>

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

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ -	\$ 23,719
Derivatives	30,304	8,595
Debt instruments	-	( 3,500)
Financial liabilities held for trading		
Derivatives	( 46,785)	( 63,164)
	<u>(\$ 16,481)</u>	<u>(\$ 34,350)</u>

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 206,702 thousand	2020.12~2021.01	JPY 109,340 thousand	2019.12~2020.1
Forward foreign exchange contracts	JPY 103,520 thousand	2020.12~2021.01	JPY 218,600 thousand	2019.12~2020.1
Forward foreign exchange contracts	JPY 207,040 thousand	2020.12~2021.01	-	-
Forward foreign exchange contracts	JPY 206,940 thousand	2020.12~2021.01	-	-
Forward foreign exchange contracts	JPY 186,696 thousand	2020.12~2021.01	-	-

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss are provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 352,978	\$ 352,978
Valuation adjustment	( 212,129)	( 183,238)
	\$ 140,849	\$ 169,740

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$140,849 and \$169,740 as at December 31, 2020 and 2019, respectively.
- B. In response to the modified investment strategy, the Group sold \$1,550 of unlisted stocks at fair value and resulted in cumulative gains on disposal of \$50 for the year ended December 31, 2019.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 28,891)	(\$ 58,915)
Cumulative gains reclassified to retained earnings due to derecognition	\$ -	\$ 50
Dividend income recognised in profit or loss		
Held at and of period	\$ 712	\$ 712

- D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Escrow demand deposits	\$ 208,630	\$ 60,061
Pledged deposit	6,000	7,000
Investment in debt instrument without active market	49,000	49,000
Time deposits with original maturities of more than three months	89,962	135,446
	353,592	251,507
Less : Accumulated impairment	( 49,000)	( 49,000)
	\$ 304,592	\$ 202,507

- A. The Group entered into a concert cooperation agreement with a partner company in August 2018. The contract is effective from August 2018 to the completion of entertainment activities. The investment amount was \$50,000. The Group collected the return on the investment amounting to \$1,000 in January 2019 and recognised the impairment loss of \$49,000 for the year ended December 31, 2019 as the Group assessed that the cooperation has no future recoverable amount. The Group has carried out the relevant legal action.
- B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$304,592 and \$202,507, respectively.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable (including related parties)	\$ 2,662,887	\$ 2,359,233
Less : Allowance for uncollectible accounts	( 6,184)	( 7,668)
	<u>\$ 2,656,703</u>	<u>\$ 2,351,565</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 2,433,459	\$ 2,348,091
Up to 30 days	105,029	8,813
31 to 60 days	69,406	359
61 to 90 days	46,415	568
Over 91 days	8,578	1,402
	<u>\$ 2,662,887</u>	<u>\$ 2,359,233</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020, December 31, 2019, and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,662,887, \$2,359,233 and \$4,604,784, respectively.
- C. The Group does not hold any collateral as guarantee for notes and accounts receivable.
- D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$2,656,703 and \$2,351,565, respectively.
- E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,507,159	(\$ 68,632)	\$ 1,438,527
Work in progress	526,745	( 35,327)	491,418
Finished goods	763,430	( 188,282)	575,148
	<u>\$ 2,797,334</u>	<u>(\$ 292,241)</u>	<u>\$ 2,505,093</u>
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,366,158	(\$ 193,991)	\$ 1,172,167
Work in progress	553,389	( 90,795)	462,594
Finished goods	868,722	( 357,414)	511,308
Commodities	76,750	( 76,750)	-
	<u>\$ 2,865,019</u>	<u>(\$ 718,950)</u>	<u>\$ 2,146,069</u>

The cost of inventories recognized as expense for the years ended December 31, 2020 and 2019, were \$9,149,122 and \$14,326,772, respectively, including the amounts of \$426,709 and \$265,587, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(7) Prepayments

	December 31, 2020	December 31, 2019
Prepayments to suppliers	\$ 115,396	\$ 7,762
Net input VAT	1,797	9,337
Others	122,504	54,769
	<u>\$ 239,697</u>	<u>\$ 71,868</u>

(8) Investments accounted for using the equity method

	December 31, 2020	December 31, 2019
Associates:		
HMO	\$ 3,881,549	\$ 3,638,064
CMVT	67,069	-
	<u>\$ 3,948,618</u>	<u>\$ 3,638,064</u>

- A. In October 2019 and December 2019, HMO increased its capital in cash. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased to 38.4%. The Group is the single largest shareholder of HMO. Given that two other large shareholders (non-related parties) hold more shares than the Group and HMO reelected its directors, which indicate that the Group has no current ability to direct the relevant activities of HMO, the Group lost its control over HMO, but still has significant influence, refer to Note 6(28).
- B. In October 2020, CMVT increased its capital in cash, the Group waived its right to participate in the capital increase, therefore the shareholding ratio was decreased from 97.42% to 23.29% and CMVT reelected its directors, the Group lost its control over CMVT, but still has significant influence, refer to Note 6(28).

C. Associates

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2020	December 31, 2019		
HMO	China	38.4%	38.4%	Strategic investment	Equity method
CMVT	Taiwan	23.29%	-	Strategic investment	Equity method

(b) The summarised financial information of the associates that are material to the Group is as follows:

i. HMO

Balance sheet

	HMO	
	December 31, 2020	December 31, 2019
Current assets	\$ 8,174,014	\$ 6,925,069
Non-current assets	13,604,351	11,299,643
Current liabilities	( 8,934,299)	( 6,092,394)
Non-current liabilities	( 2,735,866)	( 2,658,193)
Total net assets	<u>\$ 10,108,200</u>	<u>\$ 9,474,125</u>
Share in associate's net assets	<u>\$ 3,881,549</u>	<u>\$ 3,638,064</u>

Statement of comprehensive income

	<u>HMO</u>	
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2020</u>
Revenue	<u>\$ 9,813,410</u>	<u>\$ 7,102,299</u>
Income (loss) for the period from discontinued operations	<u>\$ 465,256</u>	<u>(\$ 108,111)</u>

ii. CMVT

Balance sheet

	<u>CMVT</u>
	<u>December 31, 2020</u>
Current assets	\$ 282,787
Non-current assets	64,308
Current liabilities	( 75,705)
Total net assets	<u>\$ 271,390</u>
Share in associate's net assets	\$ 63,207
Goodwill	<u>3,862</u>
Carrying amount of the joint venture	<u>\$ 67,069</u>

Statement of comprehensive income

	<u>CMVT</u>
	<u>Year ended</u>
	<u>December 31, 2020</u>
Revenue	<u>\$ 147,323</u>
Loss for the period from discontinued operations	<u>(\$ 43,717)</u>

- (c) The share of gain (loss) of associates and joint ventures accounted for using the equity method for the years ended December 31, 2020 and 2019 were \$171,092 and (\$1,421), respectively.

(9) Property, plant and equipment

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,906,315	\$ 5,501,783	\$ 66,460	\$ 3,663,079	\$ 251,853	\$ -	\$ 14,818,033
Accumulated depreciation and impairment	-	( 1,845,766)	( 4,898,400)	( 53,670)	( 3,430,520)	( 231,566)	-	( 10,459,922)
	<u>\$ 1,428,543</u>	<u>\$ 2,060,549</u>	<u>\$ 603,383</u>	<u>\$ 12,790</u>	<u>\$ 232,559</u>	<u>\$ 20,287</u>	<u>\$ -</u>	<u>\$ 4,358,111</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 2,060,549	\$ 603,383	\$ 12,790	\$ 232,559	\$ 20,287	\$ -	\$ 4,358,111
Additions	-	-	39,943	2,723	28,442	11,457	-	82,565
Disposals	-	-	( 7,213)	-	-	( 47)	-	( 7,260)
Reclassifications	-	-	2,880	-	1,827	720	32,899	38,326
Depreciation charge	-	( 148,236)	( 201,678)	( 5,536)	( 63,145)	( 8,753)	-	( 427,348)
Decrease in consolidated entities	-	-	( 42,602)	( 528)	( 394)	( 5,766)	-	( 49,290)
Net exchange differences	-	2,463	3,021	-	-	117	-	5,601
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>
<u>At December 31</u>								
Cost	\$ 1,428,543	\$ 3,916,545	\$ 5,299,290	\$ 67,968	\$ 3,681,618	\$ 179,753	\$ 32,899	\$ 14,606,616
Accumulated depreciation and impairment	-	( 2,001,769)	( 4,901,556)	( 58,519)	( 3,482,329)	( 161,738)	-	( 10,605,911)
	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>

2019

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 7,524,465	\$ 7,212,313	\$ 72,305	\$ 4,682,095	\$ 341,469	\$ 170,187	\$ 21,431,377
Accumulated depreciation and impairment	-	( 2,025,767)	( 4,925,982)	( 49,297)	( 3,495,367)	( 241,919)	-	( 10,738,332)
	<u>\$ 1,428,543</u>	<u>\$ 5,498,698</u>	<u>\$ 2,286,331</u>	<u>\$ 23,008</u>	<u>\$ 1,186,728</u>	<u>\$ 99,550</u>	<u>\$ 170,187</u>	<u>\$ 10,693,045</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 5,498,698	\$ 2,286,331	\$ 23,008	\$ 1,186,728	\$ 99,550	\$ 170,187	\$ 10,693,045
Additions	-	8,992	36,172	8,054	33,359	10,783	3,257,967	3,355,327
Disposals	-	-	( 320)	( 2,548)	( 473)	( 4,193)	-	( 7,534)
Reclassifications	-	( 88,076)	39,148	-	( 292,474)	6,221	2,748,683	2,413,502
Depreciation charge	-	( 324,894)	( 389,857)	( 9,625)	( 184,270)	( 35,409)	-	( 944,055)
Decrease in consolidated entities	-	( 2,914,463)	( 1,311,165)	( 5,821)	( 491,142)	( 54,471)	( 5,942,352)	( 10,719,414)
Net exchange differences	-	( 119,708)	( 56,926)	( 278)	( 19,169)	( 2,194)	( 234,485)	( 432,760)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 2,060,549</u>	<u>\$ 603,383</u>	<u>\$ 12,790</u>	<u>\$ 232,559</u>	<u>\$ 20,287</u>	<u>\$ -</u>	<u>\$ 4,358,111</u>
<u>At December 31</u>								
Cost	\$ 1,428,543	\$ 3,906,315	\$ 5,501,783	\$ 66,460	\$ 3,663,079	\$ 251,853	\$ -	\$ 14,818,033
Accumulated depreciation and impairment	-	( 1,845,766)	( 4,898,400)	( 53,670)	( 3,430,520)	( 231,566)	-	( 10,459,922)
	<u>\$ 1,428,543</u>	<u>\$ 2,060,549</u>	<u>\$ 603,383</u>	<u>\$ 12,790</u>	<u>\$ 232,559</u>	<u>\$ 20,287</u>	<u>\$ -</u>	<u>\$ 4,358,111</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Amount capitalised	\$ -	\$ 70,625
Range of the interest rates for capitalisation	-	0.29%~5.58%

B. As of December 31, 200 and 2019, the accumulated impairment of property, plant and equipment was \$262,756 and \$258,433, respectively, and the reportable segment was in Mainland China.

C. The above property, plant and equipment were used for the operations of the Group and were not available for lease.

D. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Leasing arrangements – lessee

A. The Group leases various assets including land, buildings and other equipment. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and parts of lease are not allowed to be sublet, leased, sold or any ways for others to use.

B. Short-term leases with a lease term of 12 months or less comprise of buildings and multifunction printers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 30,360	\$ 30,709
Buildings	279	89
Other equipment	143	198
	<u>\$ 30,782</u>	<u>\$ 30,996</u>
	Year ended December 31, 2020	Year ended December 31, 2019
	Depreciation charge	Depreciation charge
Land	\$ 844	\$ 5,648
Buildings	179	18,828
Other equipment	55	55
	<u>\$ 1,078</u>	<u>\$ 24,531</u>

D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$363 and \$30,970, respectively.

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

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 13	\$ 2,355
Expense on short-term lease contracts	36	18,173
Gain arising from lease modification	-	110

F. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$467 and \$34,754, respectively.

(11) Intangible assets

	<u>2020</u>			
	<u>Computer Software</u>	<u>Core Technology</u>	<u>Goodwill</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 88,057	\$ 47,000	\$ 8,056	\$ 143,113
Accumulated amortisation and impairment	( 75,384)	( 35,642)	-	( 111,026)
	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$ 32,087</u>
<u>At January 1</u>	\$ 12,673	\$ 11,358	\$ 8,056	\$ 32,087
Additions-acquired separately	6,062	-	-	6,062
Prepayment for equipment transferred in	500	-	-	500
Amortisation charge	( 8,822)	( 3,916)	-	( 12,738)
Decrease in consolidated entities	( 1,907)	( 7,442)	( 8,056)	( 17,405)
Net exchange differences	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>At December 31</u>	<u>\$ 8,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,508</u>
<u>At December 31</u>				
Cost	\$ 89,132	\$ -	\$ -	\$ 89,132
Accumulated amortisation and impairment	( 80,624)	-	-	( 80,624)
	<u>\$ 8,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,508</u>

	2019				
	Computer Software	Core Technology	Goodwill	Licenses and Franchise	Total
<u>At January 1</u>					
Cost	\$ 135,585	\$ 67,622	\$ 8,056	\$ 9,200	\$ 220,463
Accumulated amortisation and impairment	( 87,104)	( 33,233)	-	( 8,280)	( 128,617)
	<u>\$ 48,481</u>	<u>\$ 34,389</u>	<u>\$ 8,056</u>	<u>\$ 920</u>	<u>\$ 91,846</u>
<u>At January 1</u>	\$ 48,481	\$ 34,389	\$ 8,056	\$ 920	\$ 91,846
Additions-acquired separately	15,944	-	-	-	15,944
Reclassifications	990	-	-	-	990
Amortisation charge	( 34,334)	( 11,574)	-	( 920)	( 46,828)
Decrease in consolidated entities	( 17,714)	( 11,029)	-	-	( 28,743)
Net exchange differences	( 694)	( 428)	-	-	( 1,122)
<u>At December 31</u>	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$ -</u>	<u>\$ 32,087</u>
<u>At December 31</u>					
Cost	\$ 88,057	\$ 47,000	\$ 8,056	\$ 9,200	\$ 152,313
Accumulated amortisation and impairment	( 75,384)	( 35,642)	-	( 9,200)	( 120,226)
	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$ -</u>	<u>\$ 32,087</u>

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

	Year ended	Year ended
	December 31, 2020	December 31, 2019
Cost of sales	\$ 547	\$ 13,862
General and administrative expenses	8,274	27,207
Research and development expenses	3,917	5,759
	<u>\$ 12,738</u>	<u>\$ 46,828</u>

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

	December 31, 2020	December 31, 2019
CMVT	<u>\$ -</u>	<u>\$ 8,056</u>

Goodwill is allocated to the cash-generating units identified by the Group. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use future cash flow projections covering a five-year period. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying

amount, so goodwill was not impaired. The calculation of value in use mainly considers the operating profit margin, growth rate and discount rate. Management determined gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 1,490,587	0.60%~4.80%	-
Bank secured borrowings	953,445	0.85%~2.57%	Land, buildings and structures
Other short-term borrowings	104,852	3.85%~4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,548,884</u>		

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 2,422,816	0.63%~4.50%	-
Bank secured borrowings	319,775	0.82%~2.67%	Land, buildings and structures
Other short-term borrowings	45,834	4.11%	Machinery, office, factory and miscellaneous
	<u>\$ 2,788,425</u>		

- A. Information about interest expense recognised in profit or loss is provided in Note 6(23).
- B. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on April 11, 2019. The resolutions of the meeting are as follows:
- (a) During the debt negotiation, the bank loans are secured by the Company's Chairman, Ho, Jau-Yang, as a joint guarantor.
  - (b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.
  - (c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.
  - (d) The Company set up an escrow account and funds are remitted into the account for a centralised management and supervision. The escrow account is set up in the largest creditor bank.

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

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

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

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

D. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on December 30, 2020. The resolutions of the meeting are as follows:

- (a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.
- (b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.
- (c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. As of March 12, 2021, the written approval of each creditor bank has not been obtained.

E. In November 2019, March 2020, September 2020 and December 2020, the Group was financed by IBT Leasing Co., Ltd. and Robina Finance & Leasing Corp. through sales with buyback agreements. As of December 31, 2020 and 2019, the Group issued unexpired notes in the amounts of \$109,497 and \$47,718 for the aforementioned transaction, respectively.

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

(13) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for salaries or bonuses	\$ 164,415	\$ 175,118
Payables for annual leave	37,675	39,442
Accrued taxes payable	21,236	14,179
Payables for purchase of equipment	21,136	9,925
Payables for insurance premiums	17,192	14,379
Payables for interest	4,020	9,233
Others	146,175	160,822
	<u>\$ 411,849</u>	<u>\$ 423,098</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2021 because of debt negotiation.	\$ 200,000	\$ 200,000
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	212,260	-
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.	134,680	-
	<u>546,940</u>	<u>200,000</u>
Less: Current portion	( 228,912)	( 200,000)
	<u>\$ 318,028</u>	<u>\$ -</u>
Interest rate range	<u>2.57%</u>	<u>1.50%</u>

A. Information on interest expense recognised in profit or loss is provided in Note 6(23).

B. Due to the difficulty of repayment, the Group started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to Note 6(12) for details.

C. Information about the collateral for long-term borrowings is provided in Note 8.

(15) Pensions

A. The Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. NBCMMT, HMO, KSCMS, XJHM and KSMF makes monthly contributions based on certain percentages of the basic salaries of their employees.

C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019, were \$38,994 and \$87,022, respectively.

(16) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares and the paid-in capital was \$6,657,285 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Units: in thousand shares)	
	2020	2019
At January 1 (and December 31)	<u>665,729</u>	<u>665,729</u>

B. GDRS

(a) On December 20, 2016, the Company's Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of December 31, 2020, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

i. Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Deposit Agreement (the "Deposit Agreement") entered into by the Company, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

ii. Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement.

iii. Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on their distributions as the holders of common shares of the Company. If the Company distributes share dividends or makes

other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

(17) Capital surplus

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

	2020			
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 803,494	\$ 6,776	\$ 133,756	\$ 944,026
Changes in ownership interests in subsidiaries	-	-	( 5,084)	( 5,084)
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 938,942</u>
	2019			
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 803,494	\$ 6,776	\$ 41,419	\$ 851,689
Changes in ownership interests in subsidiaries	-	-	92,337	92,337
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 133,756</u>	<u>\$ 944,026</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, surplus should be used to pay tax, offset the aggregated loss, and 10% surplus in mandatory reserve. However, 10 % mandatory reserve may not to be executed as the reserve reaches to the amount of registered capital of the company; the Board of Directors is authorized to assign dividend and bonus wholly or partially in cash and report to shareholders' meeting if mandatory reserve, tax and levies have been paid out.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

### C. Special reserve

In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. On April 30, 2020 and June 28, 2019, the shareholders resolved not to appropriate dividends and provisioned special reserves amounting to \$229,331 and \$201,306, respectively.

E. On March 12, 2021, the Board of Directors of the Company proposed not to appropriate dividends and reversed special reserves amounting to \$53,493.

### (19) Operating revenue

#### A. Disaggregation of revenue from contracts with customers

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

<u>Year ended December 31, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 5,923,589	\$ 3,533,286	\$ 9,456,875
Inter-segment revenue	2,952,322	142,502	3,094,824
Elimination of internal transaction	( 2,952,322)	( 142,502)	( 3,094,824)
Revenue from external customer	<u>\$ 5,923,589</u>	<u>\$ 3,533,286</u>	<u>\$ 9,456,875</u>
<u>Year ended December 31, 2019</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 4,599,132	\$ 10,297,118	\$ 14,896,250
Inter-segment revenue	3,589,889	834,373	4,424,262
Elimination of internal transaction	( 3,589,889)	( 834,373)	( 4,424,262)
Revenue from external customer	<u>\$ 4,599,132</u>	<u>\$ 10,297,118</u>	<u>\$ 14,896,250</u>

#### B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities –			
sale of goods	<u>\$ 51,627</u>	<u>\$ 22,169</u>	<u>\$ 33,760</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	\$ 22,118	\$ 4,156

(20) Interest income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Interest income from bank deposits	\$ 5,012	\$ 32,748

(21) Other income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Rental income	\$ 1,754	\$ 1,564
Royalty income	54,579	-
Dividend income	712	712
Government grants (Note)	-	11,239
Disgorgement income	-	11,033
Technical service income	-	19,700
Patent income	19,800	-
Others	27,986	42,010
	<u>\$ 104,831</u>	<u>\$ 86,258</u>

Note: HMO acquired government subsidy for the amount of RMB 48,380 thousand dollars in January 2018. The government grant is from the Kunshan government to encourage enterprises to set up factories in the Kunshan Development Zone. After the establishment of a factory is completed, grants are granted. It is an asset-related government grant, which is recognised as deferred revenue. As of December 31, 2019, the balance of this deferred revenue is \$0. For the year ended December 31, 2019, the revenue realized based on the service life of the factory was \$11,239.

(22) Other gains and losses

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Gain (losses) on disposals of property, plant and equipment	\$ 2,624	(\$ 5,294)
Gains on disposals of investments	10,745	140,450
Gain arising from lease modification	-	110
Foreign exchange losses	( 28,179)	( 82,439)
Net losses on financial assets or liabilities at fair value through profit or loss	( 16,481)	( 35,062)
Impairment loss recognised in profit or loss, financial assets	-	( 49,000)
Compensation losses	-	( 26,966)
Others	( 2,952)	( 15,381)
	<u>\$ 34,243</u>	<u>\$ 73,582</u>

(23) Finance costs

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Interest expense - bank borrowings	\$ 67,608	\$ 330,330
Interest expense - lease liabilities	13	2,355
	<u>\$ 67,621</u>	<u>\$ 332,685</u>

(24) Expenses by nature

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Employee benefit expense	\$ 1,206,497	\$ 1,720,352
Depreciation charges on property, plant and equipment	427,348	944,055
Depreciation charges on right-of-use assets	1,078	24,531
Amortisation charges on intangible assets	12,738	46,828

(25) Employee benefit expense

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Pension costs	\$ 47,150	\$ 87,022
Short-term employee benefits	1,159,347	1,633,330
	<u>\$ 1,206,497</u>	<u>\$ 1,720,352</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 1% for directors' remuneration.
- B. The Company incurred losses for the years ended December 31, 2020 and 2019; thus, neither employees' compensation nor remuneration of directors were estimated.

Information about employees' compensation and directors' remuneration of the Company as approved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense (benefit)

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	<u>894</u>	<u>967</u>
Total current tax	<u>894</u>	<u>967</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>-</u>	<u>20,631</u>
Total deferred tax	<u>-</u>	<u>20,631</u>
Income tax expense	<u>\$ 894</u>	<u>\$ 21,598</u>

B. Reconciliation between income tax expense and accounting loss:

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Tax calculated based on profit (loss) before tax and statutory tax rate (note)	\$ 34,600	(\$ 170,001)
Expenses disallowed by tax regulation	9,812	3,111
Tax exempt income by tax regulation	( 142)	( 142)
Temporary differences not recognised as deferred tax assets	( 137,806)	( 29,327)
Taxable loss not recognised as deferred tax assets	93,536	216,990
Prior year income tax underestimation	<u>894</u>	<u>967</u>
Income tax expense	<u>\$ 894</u>	<u>\$ 21,598</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
-Temporary differences:			
Allowance for obsolescence and decline in market value of inventories	\$ 68,731	(\$ 45,786)	\$ 22,945
Unrealised gain on financial assets	59	( 59)	-
Deferred revenue	4,160	( 4,160)	-
Unrealized exchange gain	108	4,023	4,131
Provision	2,074	( 2,074)	-
Others	1,249	6,148	7,397
-Tax losses	-	55,247	55,247
	<u>76,381</u>	<u>13,339</u>	<u>89,720</u>
Deferred tax liabilities:			
-Temporary differences:			
Gain on foreign investment accounted for under equity method	( 6,768)	( 20,075)	( 26,843)
Unrealised gain on financial assets	-	( 212)	( 212)
Others	( 15,906)	6,948	( 8,958)
	<u>( 22,674)</u>	<u>( 13,339)</u>	<u>( 36,013)</u>
	<u>\$ 53,707</u>	<u>\$ -</u>	<u>\$ 53,707</u>

	2019				
	January 1	Recognised in profit or loss	Effect of foreign exchange	Decrease in consolidated entities	December 31
Deferred tax assets:					
-Temporary differences:					
Allowance for obsolescence and decline in market value of inventories	\$ 104,996	(\$ 20,631)	(\$ 583)	(\$ 15,051)	\$ 68,731
Unrealised gain on financial assets	59	-	-	-	59
Deferred revenue	4,160	-	-	-	4,160
Unrealized exchange gain	108	-	-	-	108
Provision	2,074	-	-	-	2,074
Others	1,249	-	-	-	1,249
	<u>112,646</u>	<u>( 20,631)</u>	<u>( 583)</u>	<u>( 15,051)</u>	<u>76,381</u>
Deferred tax liabilities:					
-Temporary differences:					
Gain on foreign investment accounted for under equity method	( 6,768)	-	-	-	( 6,768)
Others	( 15,906)	-	-	-	( 15,906)
	<u>( 22,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 22,674)</u>
	<u>\$ 89,972</u>	<u>(\$ 20,631)</u>	<u>(\$ 583)</u>	<u>(\$ 15,051)</u>	<u>\$ 53,707</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:  
The company and its domestic subsidiaries:

December 31, 2020					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Imputation credit amount</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026
2017	Amount assessed	527,317	572,317	572,317	2027
2018	Amount assessed	160,591	160,591	160,591	2028
2019	Amount filed	859,941	859,941	859,941	2029
2020	Expected filed amount	794,618	794,618	518,382	2030

Foreign subsidiaries:

December 31, 2020					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Imputation credit amount</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2016	Amount filed	\$ 204,336	\$ 204,336	\$ 204,336	2021
2017	Amount filed	303,456	303,456	303,456	2022
2018	Amount filed	82,341	82,341	82,341	2023
2019	Amount filed	204,196	204,196	204,196	2024

The company and its domestic subsidiaries:

December 31, 2019					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Imputation credit amount</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2010	Amount assessed	\$ 4,714	\$ 4,714	\$ 4,714	2020
2011	Amount assessed	38,616	38,616	38,616	2021
2012	Amount assessed	52,328	52,328	52,328	2022
2013	Amount assessed	35,846	35,846	35,846	2023
2014	Amount assessed	16,480	16,480	16,480	2024
2015	Amount assessed	4,767	4,767	4,767	2025
2016	Amount assessed	1,134,124	1,134,124	1,134,124	2026
2017	Amount assessed	601,784	601,784	601,784	2027
2018	Amount filed	183,843	183,843	183,843	2028
2019	Expected filed amount	850,788	850,788	850,788	2029

Foreign subsidiaries:

December 31, 2019					
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Imputation credit amount</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2016	Amount filed	\$ 204,336	\$ 204,336	\$ 204,336	2021
2017	Amount filed	303,456	303,456	303,456	2022
2018	Amount filed	82,341	82,341	82,341	2023
2019	Expected amount filed	204,196	204,196	204,196	2024

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	\$ 223,746	\$ 651,180

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(27) Loss per share

	<u>Year ended December 31, 2020</u>	
	Weighted average number of ordinary shares outstanding	Loss per share
	<u>Amount after tax (share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 85,555) 665,729	(\$ 0.13)
	<u>Year ended December 31, 2019</u>	
	Weighted average number of ordinary shares outstanding	Loss per share
	<u>Amount after tax (share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>		
Loss attributable to ordinary shareholders of the parent	(\$ 688,559) 665,729	(\$ 1.03)

(28) Transactions with non-controlling interest

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

(a) In October 2019, HMO increased its capital in cash. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 49.5% to 45.15%. The transaction increased non-controlling interest by \$780,235 and increased equity attributable to owners of parent by \$92,337.

The effect of changes in interest in HMO on the equity attributable to owners of the parent for the year ended December 31, 2019 is shown below:

	Year ended December 31, 2019
Cash	\$ 872,572
Increase in the carrying amount of non-controlling interest	( 780,235)
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>\$ 92,337</u>

(b) In July 2020, CMVT increased its capital by \$84,000 through issuing new shares. The Group subscribed to all the shares, therefore, the shareholding ratio was increased by 18.09%. The transaction increased non-controlling interest by \$5,084 and decreased equity attributable to owners of parent by \$5,084.

The effect of changes in interest in CMVT on the equity attributable to owners of the parent for the year ended December 31, 2020 is shown below:

	Year ended December 31, 2020
Cash	\$ -
Increase in the carrying amount of non-controlling interest	( 5,084)
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>(\$ 5,084)</u>

#### B. Disposal of subsidiaries

(a) In December 2019, HMO increased its capital in cash. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 45.15% to 38.4%. Additionally, because of the reelection of directors of HMO, the Group lost its control over HMO.

(b) Details of the carrying amount of those assets and liabilities that HMO lost its control are as follows:

	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 426,496
Current financial assets at amortised cost	1,110,449
Notes receivable	143,489
Accounts receivable	1,684,847
Accounts receivable - related parties	229,104
Other receivables	13,291
Inventories	1,207,810
Allowance for inventory valuation losses	( 128,674)
Prepayments	463,537
Other current assets	208,446
Property, plant and equipment	10,719,414
Right-of-use assets	257,580
Intangible assets	28,743
Deferred tax assets	15,051
Prepayments for equipment	6,059
Other non-current assets	36,803
Short-term borrowings	( 1,636,849)
Accounts payable	( 856,200)
Accounts payable - related parties	( 1,034,793)
Other payables	( 790,942)
Current lease liabilities	( 18,028)
Current portion of long-term bank loans	( 1,657,728)
Other current liabilities	( 12,571)
Non-current lease liabilities	( 37,519)
Long-term bank loans	( 2,444,766)
Other non-current liabilities	( 175,908)
The carrying amount of net assets of subsidiaries at the date when control is lost	<u>\$ 7,757,141</u>

(c) Gains on disposal of subsidiaries

	<u>HMO</u>
Fair value of the remaining investments	\$ 3,642,799
Less: Carrying amount of the investment at the date when control is lost	( 3,502,349)
Gains on disposal of investments	<u>\$ 140,450</u>

(d) In October 2020, CMVT increased its capital in cash. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 97.42% to 23.29%. Additionally, because CMVT reelected its directors, the Group lost its control over CMVT.

(e) Details of the carrying amount of those assets and liabilities that CMVT lost its control are as follows:

	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 10,468
Accounts receivable	11,007
Other receivables	6,613
Inventories	46,255
Prepayments	8,666
Other current assets	59
Property, plant and equipment	49,290
Right-of-use assets	6,393
Intangible assets	20,334
Other non-current assets	1,958
Contract liabilities-current	( 2,907)
Accounts payable	( 51,951)
Other payables	( 40,790)
Current lease liabilities	( 2,839)
Other current liabilities	( 333)
Non-current lease liabilities	( 2,881)
The carrying amount of net assets of subsidiaries at the date when control is lost	<u>\$ 59,342</u>

(f) Gains on disposal of subsidiaries

	<u>CMVT</u>
Fair value of the remaining investments	\$ 68,884
Less: Carrying amount of the investment at the date when control is lost	( 57,808)
Gains on disposal of investments	<u>\$ 11,076</u>

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Purchase of property, plant and equipment	\$ 82,565	\$ 3,355,327
Add: Opening balance of payable on equipment	9,925	375,950
Opening balance of payable for purchase of land or buildings	-	12,709
Less: Ending balance of payable on equipment	( 21,136)	( 9,925)
Ending balance of payable on equipment - effect of decrease in consolidated	<u>-</u>	<u>( 599,946)</u>
Cash paid	<u>\$ 71,354</u>	<u>\$ 3,134,115</u>

B. Operating and investing activities with no cash flow effects

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
(a) Amount written off due to uncollectible account	<u>\$ 1,587</u>	<u>\$ -</u>
(b) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 38,326</u>	<u>\$ 1,627,496</u>
(c) Prepayments for equipment transferred to other intangible assets	<u>\$ 500</u>	<u>\$ 990</u>
(d) Other non-current assets transferred to property, plant and equipment	<u>\$ -</u>	<u>\$ 786,006</u>

(30) Changes in liabilities from financing activities

	At January 1, 2020	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At December 31, 2020
Short-term borrowings	\$ 2,788,425	(\$ 216,702)	\$ -	(\$ 22,839)	\$ 2,548,884
Lease liabilities	200	( 418)	363	-	145
Long-term borrowings	200,000	346,940	-	-	546,940
Guarantee deposits received	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 2,988,665</u>	<u>\$ 129,820</u>	<u>\$ 363</u>	<u>(\$ 22,839)</u>	<u>\$ 3,096,009</u>

	At January 1, 2019	Changes in cash flow from financing activities	Changes in other non-cash items	Decrease in consolidated entities	Effect of foreign exchange	At December 31, 2019
Short-term borrowings	\$ 5,441,325	(\$ 1,440,497)	\$ -	(\$ 1,636,849)	\$ 424,446	\$ 2,788,425
Lease liabilities	58,020	( 14,226)	14,108	( 55,547)	( 2,155)	200
Long-term borrowings	3,373,240	1,098,774	-	( 4,102,494)	( 169,520)	200,000
Guarantee deposits received	49	( 9)	-	-	-	40
Liabilities from financing activities-gross	<u>\$ 8,872,634</u>	<u>(\$ 355,958)</u>	<u>\$ 14,108</u>	<u>(\$ 5,794,890)</u>	<u>\$ 252,771</u>	<u>\$ 2,988,665</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Innolux Corporation ("Innolux")	Legal person director of the Company (Note 1)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliate (Note 2)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliate (Note 2)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliate (Note 2)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliate (Note 2)
Ningbo Innolux Display Ltd. ("Ninbo Innolux Display")	Affiliate (Note 2)
HMO	Associate (Note 3)
CMVT	Associate (Note 4)
Shenzhen SAPO Photoelectric Co., Ltd. ("SAPO")	Affiliate (Note 5)

Note 1: It had served as director of the Company from April 26, 2019 until May 6, 2020.

Note 2: It is the subsidiary owned by Innolux.

Note 3: On October 15, 2019, the former shareholder, Zhejiang Renyuan Import & Export Co., Ltd, increased its investment in HMO in the amount of USD 28.5 million, the shareholding ratio of the Group was decreased from 49.5% to 45.15%. On December 17, 2019, Hefei Northtown Optoelectronic Industry Fund No.2 (LLP) increased its investment in HMO in the amount of USD 57 million, causing the Group's shareholding ratio to decrease to 38.4%. In addition, HMO's directors have been reelected on December 24, 2019. As a result, the Group lost its control over HMO. However, the Group still has significant influence over HMO, thus HMO is considered an associate of the Group.

Note 4: In October 2020, CMVT increased its capital in cash. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 97.42% to 23.29%. Additionally, because CMVT reelected its directors, the Group lost its control over CMVT, but still has significant influence, thus CMVT is considered an associate of the Group.

Note 5: During the transaction, the General Manager of SAPO, Huang Yuan, has served as Vice Chairman of HMO.

(2) Significant related party transactions

A. Operating revenue

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Sales of goods:		
Innolux	\$ 907,436	\$ 1,718,460
Ningbo Innolux	482,633	1,286,438
Foshan Innolux	449,232	947,672
Affiliates	118,812	974,903
Associates	<u>24,347</u>	<u>-</u>
	<u>\$ 1,982,460</u>	<u>\$ 4,927,473</u>

The selling price and collection term are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

B. Purchases

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Purchases of goods:		
Affiliates	\$ -	\$ 748,433
Associates	<u>977</u>	<u>-</u>
	<u>\$ 977</u>	<u>\$ 748,433</u>

Because there is no similar counterparty or transaction, the purchase prices and payment terms with related parties are conducted by mutual agreement.

C. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Innolux	\$ -	\$ 671,606
Foshan Innolux	-	478,716
Ningbo Innolux	-	534,302
Associates	44,720	55,122
Affiliates	-	193,864
	<u>\$ 44,720</u>	<u>\$ 1,933,610</u>
Other receivables (excluding loans):		
HMO	\$ 51,820	\$ 54,554
Associates	2,221	-
	<u>\$ 54,041</u>	<u>\$ 54,554</u>

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Associates	\$ 2,430	\$ 1,240

E. Contract liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
HMO	\$ 13,774	\$ 13,928

F. Other revenue

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
HMO	\$ 54,579	\$ -
Associates	1,314	-
	<u>\$ 55,893</u>	<u>\$ -</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Outstanding balance		
HMO	\$ -	\$ 750,837

On May 7, 2020 and November 11, 2019, the Board of Directors resolved to reclassify the accounts receivable of HMO that exceeded a certain period from loans to others to other receivables. The loan's due date was December 31, 2020.

H. Endorsements and guarantees provided by the Group to the related parties:

	December 31, 2020		December 31, 2019	
	Outstanding endorsements / guarantee amount	Actual amount drawn down	Outstanding endorsements / guarantee amount	Actual amount drawn down
HMO	\$ 3,502,344	\$ 2,364,136	\$ 3,444,732	\$ 2,342,259

(3) Key management compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	\$ 29,706	\$ 28,014
Post-employment benefits	384	420
	<u>\$ 30,090</u>	<u>\$ 28,434</u>

8. PLEGDED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Demand deposit (Note)	\$ 208,630	\$ 60,061	An escrow account for debt negotiation procedures
Pledged deposits (Note)	6,000	7,000	Provided as collateral for the letters of credit for purchases of raw materials
Property, plant and equipment - land	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,758,913	1,888,751	Long-term and short-term loan
Property, plant and equipment - machinery and equipment	116,616	132,525	Short-term loan
Property, plant and equipment - factory equipment	80,808	23,435	Short-term loan
Property, plant and equipment -office equipment	4,619	-	Short-term loan
Property, plant and equipment -miscellaneous equipment	1,790	-	Short-term loan
	<u>\$ 3,605,919</u>	<u>\$ 3,540,315</u>	

Note: It is shown as "current financial assets at amortized cost".

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Group as of December 31, 2020 and 2019, were as follows:

- (1) As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousand)	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
JPY	\$ 2,276,309	\$ 1,926,574
USD	539	-

- (2) As of December 31, 2020 and 2019, the amounts of guarantees provided by financial institutions for the purpose of importing goods were \$97,917 and \$71,575, respectively.
- (3) As of December 31, 2020 and 2019, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$71,464 and \$32,813, respectively.
- (4) The technology licensing agreement with Nitto Denko Corporation is for up to JPY 15 billion and was signed by HMO, Hangzhou Jinjiang Group, which is the strategic partner and major shareholder of HMO, and SAPO, which is an investee of Hangzhou Jinjiang Group. HMO will have the rights to three 2,500 mm production lines, of which the total value will be JPY 7.5 billion. The total contract price is JPY 15 billion. As of December 31, 2020 and 2019, HMO's unpaid amount were JPY 2.5 billion and JPY 4.5 billion, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) On January 29, 2021, the Company's Board of Directors resolved to terminate the resolution adopted by the stockholders at their annual stockholders' meeting on April 30, 2020 in relation to the issuance of its common shares through public or private offering, the issuance of new shares to participate in overseas depository receipts, or the issuance of overseas or domestic convertible corporate bonds, which includes secured or unsecured convertible corporate bonds.
- (2) On December 28, 2020, HMO's Board of Directors resolved to increase its capital in cash and the capital verification was completed on February 4, 2021. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased to 28.10%.
- (3) On March 12, 2021, the Company's Board of Directors resolved to issue Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. The Company expects to issue 20,000 thousand shares.

## 12. OTHERS

### (1) Capital management

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

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

The gearing ratios as at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ <u>4,950,059</u>	\$ <u>4,538,744</u>
Total assets	\$ <u>14,571,675</u>	\$ <u>14,213,507</u>
Gearing ratio	<u>34%</u>	<u>32%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>1,062</u>	\$ <u>571</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	\$ <u>140,849</u>	\$ <u>169,740</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 412,618	\$ 192,942
Financial assets at amortised cost	304,592	202,507
Accounts receivable	2,656,703	2,351,565
Other receivables	119,274	863,419
Refundable deposits	8,790	8,790
	\$ <u>3,501,977</u>	\$ <u>3,619,223</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,548,884	\$ 2,788,425
Accounts payable	1,347,153	1,073,248
Other payables	411,849	423,098
Long-term borrowings (including current portion)	546,940	200,000
Guarantee deposits received	40	40
	<u>\$ 4,854,866</u>	<u>\$ 4,484,811</u>
Lease liabilities	<u>\$ 145</u>	<u>\$ 200</u>

## B. Financial risk management policies

- (a) The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
- (c) The Group Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.
- (d) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group manages its foreign currency risk and interest rate by using derivative financial instrument, including foreign exchange forward contracts to hedge the risk arising from US dollar-denominated assets generated by sales and Japanese yen-denominated liabilities generated by the importation of raw materials from Japan.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets and liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,573	28.48	\$ 2,266,239
JPY:NTD	12,186	0.276	3,363
RMB:NTD	10,273	4.377	44,965
USD:RMB	34,879	6.507	993,354
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,130	28.480	146,102
JPY:NTD	6,238,870	0.276	1,721,928
RMB:NTD	394	4.377	1,725
USD:RMB	41,976	6.507	1,195,476

December 31, 2019			
	Foreign currency		Book value (NTD)
	amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,748	29.98	\$ 1,971,125
JPY:NTD	70,790	0.276	19,538
RMB:NTD	135,100	4.305	581,606
USD:RMB	37,292	6.964	1,118,014
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	7,161	29.98	214,687
JPY:NTD	6,302,193	0.276	1,739,405
RMB:NTD	595	4.305	2,561
USD:RMB	45,223	6.964	1,355,786

- v. Total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$28,179 and \$82,439, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 11,331	-
JPY:NTD	0.5%	17	-
RMB:NTD	0.5%	225	-
USD:RMB	0.5%	4,967	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	731	-
JPY:NTD	0.5%	8,580	-
RMB:NTD	0.5%	9	-
USD:RMB	0.5%	5,977	-

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 9,856	-
JPY:NTD	0.5%	98	-
RMB:NTD	0.5%	2,908	-
USD:RMB	0.5%	5,590	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	1,073	-
JPY:NTD	0.5%	8,697	-
RMB:NTD	0.5%	13	-
USD:RMB	0.5%	6,779	-

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, would have increased/decreased by \$1,408 and \$1,697, respectively.

#### Interest rate risk

The Group's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the years ended December 31, 2020 and 2019, would have increased/decreased by \$29,910 and \$29,426, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group's concentration of credit risk, was related to the Group's five largest customers. The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Group's major customers is obtained from other publicly available financial information or the Group's own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.
- iv. The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base. The Group's credit risk of other receivables is assessed individually. Impairment gains on other receivables that an impairment loss recognised in prior periods have recovered for the year ended December 31, 2019 is \$91,500.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The loss allowance of trade receivables based on the Group's provision matrix is as follows:

As of December 31, 2020, the Group estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.00%, past due up to 30 days were 0.00%, past due 31 to 90 days were 0.00%, past due 91 to 180 days were 0.00%~0.02%, past due 181 to 270 days were 0.14%~0.16%, past due 271 to 360 days were 4.07%~29.71%, and past due over 360 days were 100%. As of December 31, 2019, the Group estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.02%, past due up to 30 days were 0.02%, past due 31 to 90 days were 0.02%~0.04%, past due 91 to 180 days were 0.06%~0.11%, past due 181 to 270 days were 0.02%~0.96%, past due 271 to 360 days were 4.35%~25.04%, and past due over 360 days were 100%. As of December 31, 2020 and 2019, the total amount of the Group's accounts receivable which past due over 31 days were 4.67% and 0.10%, respectively.

vii. Movements in relation to the Group applying the modified approach to provide (loss allowance for accounts receivable) is as follows:

	<u>2020</u>	<u>2019</u>
January 1	\$ 7,668	\$ 1,628
Provision for impairment	-	6,277
Amount written off due to uncollectible accounts	( 1,587)	-
Effects on exchange rate	<u>103</u>	<u>( 237)</u>
December 31	<u>\$ 6,184</u>	<u>\$ 7,668</u>

viii. For provisioned loss for the years ended December 31, 2020 and 2019, the impairment losses arising from customers' contract amounts to \$0 and \$6,277, respectively.

(c) Liquidity risk

i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the company.

- ii. Group treasury invests surplus cash in interest bearing current accounts, check deposit, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2020 and 2019, the Group held money market position of \$502,077 and \$327,960, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group relies on bank loans as a significant source of liquidity, the Group had available unutilized short-term bank loan facilities as below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank overdraft facility		
Amount unused	\$ 1,556,415	\$ 2,109,122
Secured bank overdraft facility		
Amount unused	<u>237,930</u>	<u>243,014</u>
	<u>\$ 1,794,345</u>	<u>\$ 2,352,136</u>

- iv. Liquidity and interest rate risk table for non-derivative and derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative and derivative financial liabilities are based on the agreed repayment dates.

December 31, 2020

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,588,967	\$ -	\$ -
Accounts payable	1,347,153	-	-
Other payables	411,849	-	-
Long-term borrowings (including current portion)	234,561	333,353	-
Lease liabilities	57	91	-

December 31, 2019

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,804,696	\$ -	\$ -
Accounts payable	1,073,248	-	-
Other payables	423,098	-	-
Long-term borrowings (including current portion)	203,000	-	-
Lease liabilities	57	148	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

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

(a) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Equity securities	\$ -	\$ 1,062	\$ -	\$ 1,062
Financial assets at FVOCI				
Derivative instruments	-	-	140,849	140,849
	<u>\$ -</u>	<u>\$ 1,062</u>	<u>\$ 140,849</u>	<u>\$ 141,911</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 571	\$ -	\$ 571
Financial assets at FVOCI				
Equity securities	<u>-</u>	<u>-</u>	<u>169,740</u>	<u>169,740</u>
	<u>\$ -</u>	<u>\$ 571</u>	<u>\$ 169,740</u>	<u>\$ 170,311</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current spot exchange rate.
- ii. The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

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

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

D. For the years ended December 31, 2020 and 2019, there was no transfer between level 1 and level 2.

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

	<u>Year ended December 31, 2020</u>	
	<u>Equity instrument</u>	<u>Debt instrument</u>
At January 1	\$ 169,740	\$ -
Losses recognised in other comprehensive income	( 28,891)	-
At December 31	<u>\$ 140,849</u>	<u>\$ -</u>

	Year ended December 31, 2019	
	Equity instrument	Debt instrument
At January 1	\$ 215,727	\$ 2,500
Acquired in the period	14,478	1,000
Sold in the period	( 1,550)	-
Losses recognised in profit or loss	-	( 3,500)
Losses recognised in other comprehensive income	( 58,915)	-
At December 31	<u>\$ 169,740</u>	<u>\$ -</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2019	<u>\$ -</u>	<u>\$ 3,500</u>

- F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 127,111	Market comparable companies	Multiple price-book ratio	0.59 ~ 1.86	The higher the price-book ratio, the higher the fair value
	13,738	Market comparable companies	Multiple price-book ratio	0.55 ~ 1.14	The higher the price-book ratio, the higher the fair value
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 147,643	Market comparable companies	Multiple price-book ratio	0.70~2.46	The higher the price-book ratio, the higher the fair value
	22,097	Market comparable companies	Multiple price-book ratio	0.42~1.37	The higher the price-book ratio, the higher the fair value

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020 Recognised in other comprehensive income			
		Input	Change	Favourable change	Unfavourable change
Financial assets					
Equity instruments	Multiple price-book ratio		±1%	\$ 1,215	(\$ 1,215)
				December 31, 2019 Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change
Financial assets					
Equity instruments	Multiple price-book ratio		±1%	\$ 1,716	(\$ 1,885)

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group considers the business and formulates the strategies from a geographic perspective, therefore the management identifies the reportable segments with the same approach.

The Group has two reportable segments and the operation is located in Taiwan and Mainland China individually. Both are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) Measurement of segment information

The Group evaluates the performance based on operating profit (loss) in each operating segments.

Segment profit represented the profit before tax earned by each segment without the allocation of central administrator costs and directors' salaries, interest income, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expenses. This was the measure reported to the Chief Operating Decision-Maker for the purpose of resource allocation and the assessment of segment performance.

(3) Segment revenue and results

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2020

	Taiwan	Mainland China	Adjustment and write-off (Note)	Total
Revenue from external customers	\$ 5,923,589	\$ 3,533,286	\$ -	\$ 9,456,875
Inter-segment revenue	<u>2,952,322</u>	<u>142,502</u>	<u>( 3,094,824)</u>	<u>-</u>
Total segment revenue	<u>\$ 8,875,911</u>	<u>\$ 3,675,788</u>	<u>(\$ 3,094,824)</u>	<u>\$ 9,456,875</u>
Segment income (loss)	<u>(\$ 483,789)</u>	<u>\$ 204,471</u>	<u>\$ 9,670</u>	<u>(\$ 269,648)</u>
Interest income				5,012
Other income				104,831
Other gain and loss				( 34,243)
Financial cost				( 67,621)
Share of profit of associates and joint ventures accounted for using equity method				<u>171,092</u>
Income before income tax from continuing operations				<u>(\$ 90,577)</u>
Segment assets	<u>\$ 3,628,760</u>	<u>\$ 402,727</u>	<u>\$ -</u>	<u>\$ 4,031,487</u>
Other assets				<u>10,540,188</u>
Total assets				<u>\$ 14,571,675</u>
Depreciation and amortisation	<u>\$ 360,605</u>	<u>\$ 80,559</u>	<u>\$ -</u>	<u>\$ 441,164</u>
Capital Expenditure	<u>\$ 67,914</u>	<u>\$ 14,651</u>	<u>\$ -</u>	<u>\$ 82,565</u>
Segment liabilities	<u>\$ 4,033,710</u>	<u>\$ 1,482,549</u>	<u>(\$ 566,200)</u>	<u>\$ 4,950,059</u>

Year ended December 31, 2019

	Taiwan	Mainland China	Adjustment and write-off (Note)	Total
Revenue from external customers	\$ 4,599,132	\$ 10,297,118	\$ -	\$ 14,896,250
Inter-segment revenue	3,589,889	834,373	( 4,424,262)	-
Total segment revenue	<u>\$ 8,189,021</u>	<u>\$ 11,131,491</u>	<u>(\$ 4,424,262)</u>	<u>\$ 14,896,250</u>
Segment income (loss)	<u>(\$ 845,159)</u>	<u>\$ 327,828</u>	<u>\$ 67,165</u>	<u>(\$ 450,166)</u>
Interest income				32,748
Other income				86,258
Other gain and loss				( 73,582)
Financial cost				( 332,685)
Share of loss of associates and joint ventures accounted for using equity method				( 1,421)
Income before income tax from continuing operations				<u>(\$ 738,848)</u>
Segment assets	<u>\$ 3,927,766</u>	<u>\$ 461,341</u>	<u>\$ -</u>	<u>\$ 4,389,107</u>
Other assets				9,824,400
Total assets				<u>\$ 14,213,507</u>
Depreciation and amortisation	<u>\$ 440,812</u>	<u>\$ 574,602</u>	<u>\$ -</u>	<u>\$ 1,015,414</u>
Capital Expenditure	<u>\$ 63,057</u>	<u>\$ 3,292,270</u>	<u>\$ -</u>	<u>\$ 3,355,327</u>
Segment liabilities	<u>\$ 4,071,692</u>	<u>\$ 1,458,478</u>	<u>(\$ 991,426)</u>	<u>\$ 4,538,744</u>

Note: Refer to the internal revenue write-offs.

(4) Reconciliation for segment income (loss)

The total amounts and other significant disclosures in relation to the reportable segments mentioned in item (2) above are in agreement with those presented as related corresponding items in the Group's financial statements and are measured in a manner consistent with those thereon.

(5) Information on products and services

Revenue from external customers is mainly from the sales of polarizing films and relative raw materials. Details of revenue is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Polarizing films	\$ 9,441,783	\$ 14,844,070
Others	15,092	52,180
	<u>\$ 9,456,875</u>	<u>\$ 14,896,250</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,462,219	\$ 3,736,668	\$ 3,165,325	\$ 4,015,240
Mainland China	5,621,474	406,453	11,201,640	465,853
Others	1,373,182	-	529,285	-
	<u>\$ 9,456,875</u>	<u>\$ 4,143,121</u>	<u>\$ 14,896,250</u>	<u>\$ 4,481,093</u>

Non-current assets excludes non-current financial assets measured at fair value through other comprehensive income and deferred tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
	Revenue	Revenue
A	\$ 2,356,822	\$ 3,007,928
C	1,495,707	1,930,368
E	1,353,390	529,285
D	1,012,447	1,524,659
B	-	2,246,044

Cheng Mei Materials Technology Corporation And Subsidiaries

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					balance during the year ended December 31, 2020	December 31, 2020							Item	Value			
0	Cheng Mei Materials Technology Co., Ltd.	CM Visual Technology Corporation	Other receivables - related parties	Yes	\$ 85,000	\$ -	\$ -	2.50%	Shot-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 962,162	\$ 3,848,646	Notes 2
0	Cheng Mei Materials Technology Co., Ltd.	Hengmei Optoelectronic Co., Ltd.	Other receivables - related parties	Yes	584,307	-	-	-	Business relationship	4,376	-	-	None	-	4,376	962,162	Notes 2, 4
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Hengmei Optoelectronic Co., Ltd.	Other receivables - related parties	Yes	256,617	-	-	-	Business relationship	50	-	-	None	-	50	409,584	Notes 3, 4
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	27,056	27,056	27,056	2.97%	Shot-term financing	-	Operating capital	-	None	-	962,162	1,924,323	Notes 5

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

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Company's "Procedures for Provision of Loans", when nature of the loan is related to short-term financing, the ceiling on total loans granted shall no more than 40% of net assets in the latest financial statements of the Company, limit on loans to a single party ceiling on total loans is 10% of the Company's net assets. When nature of the loan is related to business transactions, the ceiling on total loans granted shall no more than 10% of net assets in the latest financial statements of the Company; the limit on loans granted to a single party shall no more than the amount of business transactions occurred between the creditor and borrower in the latest year.

Note 3: According to the Ningbo Cheng Mei Materials Technology Co., Ltd.'s "Procedures for Provision of Loans", when nature of the loan is related to business transactions, the ceiling on total loans granted shall no more than 40% of net assets in the latest financial statements of the Ningbo Cheng Mei Materials Technology Co., Ltd.; the limit on loans granted to a single party shall no more than the amount of business transactions occurred between the creditor and borrower in the latest year.

Note 4: The amount is the accounts receivable due from related parties that is past due a certain period of time over the normal credit term and is the other receivables transferred from loans granted based on the assessment.

Note 5: According to the Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of group's parent company. The limit on loans granted to a single party is 10% of net assets of the group's parent company.

Cheng Mei Materials Technology Corporation And Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name													
0	Cheng Mei Materials Technology Corporation	Hengmei Optoelectronic Co., Ltd.		6	\$ 4,810,808	\$ 3,502,344	\$ 3,502,344	\$ 2,364,136	\$ -	36.40%	\$ 9,621,616	N	N	Y	Note 3,4,5

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

(1) The Company is '0'

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

Note 5: The Company's endorsement/guarantee amount to Hengmei Optoelectronic Co., Ltd. is calculated based on the shareholding ratio at the time of endorsement/guarantee provided. Because Hengmei Optoelectronic Co., Ltd. increased its capital in cash and the Group did not participate in the capital increase proportionately to ownership, the Company's shareholding ratio was decreased. The Company thereby entered into a credit counter-guarantee agreement with Hangzhou Jinjiang Group Co., Ltd. With regard to the amount of endorsement/guarantee provided by the Company to Hengmei Optoelectronic Co., Ltd., Hangzhou Jinjiang Group Co., Ltd. agreed to provide the counter-guarantee for the amount exceeding the Company's current shareholding ratio and ensure that Hengmei Optoelectronic Co., Ltd. will repay the main loan based on the repayment schedule.

Cheng Mei Materials Technology Corporation And Subsidiaries

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

December 31, 2020

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 127,111	6.41%	\$ 127,111	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	5,821	Note	5,821	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	7,917	Note	7,917	-

Note: The shareholding ratio is less than 5% and therefore will not be disclosed.

Cheng Mei Materials Technology Corporation And Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 2,977,950)	(34%)	-	-	-	\$ 415,399	20%	Note 1	
Cheng Mei Materials Technology Co., Ltd.	Innolux Corporation	Related party	Sales	( 904,143)	(10%)	-	-	-	-	-	Note 2	
Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	( 320,554)	(4%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Related party	Sales	( 482,633)	(13%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	( 128,678)	(4%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Display Ltd.	Related party	Sales	( 110,030)	(3%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Parent	Sales	( 132,911)	(2%)	-	-	-	25,682	2%	Note 1	

Note 1: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.

The eliminated amount for the year ended December 31, 2020 was \$92,439.

Note 2: It has not been a related party of the Group since May 6, 2020.

Cheng Mei Materials Technology Corporation And Subsidiaries

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Accounts receivable \$ 415,399	6.77	\$ -	-	\$ 210,625	\$ -

Cheng Mei Materials Technology Corporation And Subsidiaries  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Details of significant inter-company transactions reaching NT\$ 10 million or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 2,977,950	-	31%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	415,399	-	3%
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Sales	60,110	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	132,911	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	25,682	-	-
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Other receivables	27,056	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:Prices and terms were determined in accordance with mutual agreements.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investees (not including investees in Mainland China)

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,023,722	\$ 210,235	\$ 210,235	Note 1
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	205,000	6,638	22.96%	66,115 (	43,717) (	34,347)	Note 1
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	3,881,286	178,658	178,658	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	5,000	15,187	100%	18,847 (	3,529) (	3,529)	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	5,000	21,100	100%	48,798 (	2,762) (	2,762)	Note 1
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	954 (	43,717)	Note 2	Note 1
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	26,961 (	1,407)	Note 2	Note 1

Note 1: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 2: According to the regulations, the amount recognised for investment profit or loss of the Company could be exempt from disclosure.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from		Accumulated	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2020	Taiwan for the year ended December 31, 2020		amount of remittance from Taiwan to Mainland China as of December 31, 2020					amount of investment income remitted back to Taiwan as of December 31, 2020	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 577,526	2	\$ 378,784	\$ -	\$ -	\$ 378,784	\$ 210,235	100.00	\$ 210,235	\$ 1,023,960	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	11,052,609	2	4,172,320	-	-	4,172,320	465,256	38.40	178,658	3,881,549	-	Note 2
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	28,480	2	28,480	-	-	28,480	( 1,076)	100.00	( 1,076)	-	-	Note 2, 3
<u>Company name</u>	<u>as of December 31, 2020</u>	<u>Economic Affairs (MOEA)</u>	<u>Commission of MOEA(Note 5)</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 5)</u>							
Cheng Mei Materials Technology Corporation	\$4,579,584	\$4,579,584	\$5,772,970										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China..

(2) Through investing in Cheng Mei Materials Technology (Samoa) Corporation, Chi Mei Materials Technology Investment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 3: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 4: The numbers in this table are expressed in New Taiwan dollars. Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates of NTD 29.55 to US\$1 from January 1, 2020 to December 31, 2020, otherwise are re-translated at the exchange rates of NTD 28.48 to US\$1 prevailing at the end of the financial reporting period.

Note 5: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation And Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,977,950	35%	\$ -	-	\$ 415,399	20%	\$ -	-	\$ -	-	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	( 132,911)	2%	-	-	( 25,682)	2%	-	-	-	-	-	-	-

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd. The eliminated amount for the year ended December 31, 2020 was \$92,439.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

December 31, 2020

Table 10

Name of major shareholders	Name of shares held	Shares	
		Ownership (%)	Express in shares
Far Eastern International Bank entrusted with the custody of Munsun Capital Taiwan's investment in new materials		59,271,760	8.90%
Innolux Corporation		57,211,305	8.59%

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

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

**CHENG MEI MATERIALS TECHNOLOGY  
CORPORATION (FORMERLY CHI MEI  
MATERIALS TECHNOLOGY  
CORPORATION)  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT  
DECEMBER 31, 2020 AND 2019**

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION (FORMERLY CHI  
MEI MATERIALS TECHNOLOGY CORPORATION)  
DECEMBER 31, 2020 AND 2019 PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
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## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000396

To Cheng Mei Materials Technology Corporation

### ***Opinion***

We have audited the accompanying balance sheets of Cheng Mei Materials Technology Corporation (formerly Chi Mei Materials Technology Corporation) as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company’s 2020 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s 2020 financial statements are stated as follows:

## ***Impairment assessment of property, plant and equipment***

### Description

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

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

### How our audit addressed the matter

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

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

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

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

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

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

### ***Auditors' responsibilities for the audit of the financial statements***

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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Liu, Zi-Meng

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Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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

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

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

Assets	Notes	December 31, 2020		December 31, 2019		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 6,193	-	\$ 6,367	-
1110	Current financial assets at fair value through profit or loss	6(2)	1,062	-	571	-
1136	Current financial assets at amortised cost	6(4) and 8	214,630	2	67,061	1
1170	Accounts receivable, net	6(5)	1,636,087	12	335,924	2
1180	Accounts receivable - related parties	6(5) and 7	459,744	3	1,612,267	12
1200	Other receivables		54,567	-	51,422	-
1210	Other receivables - related parties	7	54,041	-	1,022,869	8
1220	Current tax assets	6(24)	198	-	658	-
130X	Inventories	5 and 6(6)	2,022,796	15	1,759,982	13
1410	Prepayments		220,070	2	57,872	-
1470	Other current assets		2,735	-	9,289	-
11XX	<b>Toral current Assets</b>		<u>4,672,123</u>	<u>34</u>	<u>4,924,282</u>	<u>36</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	5 and 6(3)	127,111	1	147,643	1
1550	Investments accounted for under equity method	6(7)	5,038,768	37	4,446,641	33
1600	Property, plant and equipment	5, 6(8) and 8	3,628,623	26	3,854,530	29
1755	Right-of-use assets		143	-	198	-
1780	Intangible assets	6(9)	7,153	-	8,273	-
1840	Deferred tax assets	6(24)	89,720	1	76,381	1
1900	Other non-current assets	7	90,593	1	50,396	-
15XX	<b>Total non-current assets</b>		<u>8,982,111</u>	<u>66</u>	<u>8,584,062</u>	<u>64</u>
1XXX	<b>Total assets</b>		<u>\$ 13,654,234</u>	<u>100</u>	<u>\$ 13,508,344</u>	<u>100</u>

(Continued)

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

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10) and 8	\$ 1,742,783	13	\$ 1,894,647	14
2130	Current contract liabilities	6(17) and 7	20,237	-	18,249	-
2170	Accounts payable		1,304,273	10	1,069,698	8
2180	Accounts payable - related parties	7	27,252	-	46,101	-
2200	Other payables	6(11)	321,477	2	314,072	2
2220	Other payables - related parties	7	27,056	-	3,578	-
2280	Current lease liabilities		55	-	55	-
2320	Current portion of long-term bank loans	6(12) and 8	228,912	2	200,000	2
2399	Other current liabilities, others		6,402	-	7,468	-
21XX	<b>Total current Liabilities</b>		<u>3,678,447</u>	<u>27</u>	<u>3,553,868</u>	<u>26</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(12) and 8	318,028	3	-	-
2570	Deferred tax liabilities	6(24)	36,013	-	22,674	-
2580	Non-current lease liabilities		90	-	145	-
2645	Guarantee deposits		40	-	40	-
2650	Credit balance of investments accounted for using equity method	6(7)	-	-	272,855	2
25XX	<b>Total non-current liabilities</b>		<u>354,171</u>	<u>3</u>	<u>295,714</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>4,032,618</u>	<u>30</u>	<u>3,849,582</u>	<u>28</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(14)	6,657,285	49	6,657,285	49
Capital surplus						
3200	Capital surplus	6(15)	938,942	7	944,026	7
Retained earnings						
3310	Legal reserve	6(16)	1,085,124	8	1,085,124	8
3320	Special reserve		676,861	5	447,530	3
3350	Unappropriated retained earnings		886,772	6	1,201,658	9
Other equity interest						
3400	Other equity interest		( 623,368)	( 5)	( 676,861)	( 4)
3XXX	<b>Total equity</b>		<u>9,621,616</u>	<u>70</u>	<u>9,658,762</u>	<u>72</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 13,654,234</u>	<u>100</u>	<u>\$ 13,508,344</u>	<u>100</u>

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

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

		Year ended December 31			
		2020		2019	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Net sales	\$ 8,757,795	100	\$ 8,071,052	100
5000	Costs of sales	( 8,746,536)	( 100)	( 8,316,864)	( 103)
5900	Gross profit (loss)	11,259	-	245,812	( 3)
	Operating expenses				
6100	Selling and marketing expenses	( 96,705)	( 1)	( 82,241)	( 1)
6200	General and administrative expenses	( 176,984)	( 2)	( 184,620)	( 2)
6300	Research and development expenses	( 168,830)	( 2)	( 199,631)	( 3)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	-	-	41	-
6000	Total operating expenses	( 442,519)	( 5)	( 466,451)	( 6)
6900	Loss from operations	( 431,260)	( 5)	( 712,263)	( 9)
	Non-operating income and expenses				
7100	Interest income	1,608	-	967	-
7010	Other income	87,068	1	93,556	1
7020	Other gains and losses	( 46,014)	( 1)	( 39,332)	-
7050	Finance costs	( 45,212)	-	( 39,271)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	348,255	4	9,971	-
7000	Total non-operating income and expenses	345,705	4	25,891	1
7900	<b>Loss before income tax</b>	( 85,555)	( 1)	( 686,372)	( 8)
7950	Income tax expense	-	-	( 2,187)	-
8200	<b>Loss for the year</b>	( \$ 85,555)	( 1)	( \$ 688,559)	( 8)
	<b>Other comprehensive income (loss)</b>				
	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	( \$ 20,532)	-	( \$ 41,024)	( 1)
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	( 8,359)	-	( 17,891)	-
	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translating of foreign financial statements	82,384	1	( 170,366)	( 2)
8300	<b>Total other comprehensive loss</b>	\$ 53,493	1	( \$ 229,281)	( 3)
8500	<b>Total comprehensive loss for the year</b>	( \$ 32,062)	-	( \$ 917,840)	( 11)
	Loss per share				
9750	Basic loss per share	( \$ 0.13)		( \$ 1.03)	
9850	Diluted loss per share	( \$ 0.13)		( \$ 1.03)	

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

**CHENG MEI MATERIALS TECHNOLOGY CORPORATION**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained earnings			Other equity interest		Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income	
<b>Year ended December 31, 2019</b>									
Balance at January 1, 2019		\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ 10,484,265
Net loss for the year		-	-	-	-	( 688,559 )	-	-	( 688,559 )
Other comprehensive loss for the year	6(3)	-	-	-	-	-	( 170,366 )	( 58,915 )	( 229,281 )
Total comprehensive loss for the year		-	-	-	-	( 688,559 )	( 170,366 )	( 58,915 )	( 917,840 )
Appropriations and distribution of 2018 earnings:									
Special reserve	6(16)	-	-	-	201,306	( 201,306 )	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	50	-	( 50 )	-
Changes in ownership interests in subsidiaries	6(15)	-	92,337	-	-	-	-	-	92,337
Balance at December 31, 2019		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762
<b>Year ended December 31, 2020</b>									
Balance at January 1, 2020		\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ 9,658,762
Net loss for the year		-	-	-	-	( 85,555 )	-	-	( 85,555 )
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	-	82,384	( 28,891 )	53,493
Total comprehensive income (loss) for the year		-	-	-	-	( 85,555 )	82,384	( 28,891 )	( 32,062 )
Appropriations and distribution of 2019 earnings:									
Special reserve	6(16)	-	-	-	229,331	( 229,331 )	-	-	-
Changes in ownership interests in subsidiaries	6(15)	-	( 5,084 )	-	-	-	-	-	( 5,084 )
Balance at December 31, 2020		\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ 9,621,616

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

**CHENG MEI MATERIALS TECHNOLOGY CORPORATION**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31,	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(\$ 85,555 )	(\$ 686,372 )
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(20)	16,481	44,853
Expected credit gain	12	-	( 41 )
Gain on disposal of investments	6(7)(20)	( 10,916 )	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)		
Depreciation expense	6(8)(22)	( 348,255 )	( 9,971 )
Loss on disposal of property, plant and equipment	6(20)	323,605	381,271
Amortization expense	6(9)(22)	-	237
Interest income	6(18)	6,872	13,985
Interest expense	6(21)	( 1,608 )	( 967 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		29,813	13,293
Accounts receivable		( 1,300,163 )	( 711,911 )
Accounts receivable - related parties		1,152,523	( 60,182 )
Other receivables		( 3,145 )	( 37,975 )
Other receivables - related parties		1,839	( 87,836 )
Inventories		( 262,814 )	( 605,855 )
Prepayments		( 162,198 )	( 27,727 )
Other current assets		6,554	3,760
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss		( 46,785 )	( 58,717 )
Current contract liabilities		1,988	( 3,677 )
Accounts payable		234,575	( 564,924 )
Accounts payable - related parties		( 18,849 )	12,076
Other payables		948	( 40,471 )
Other payables - related parties		( 3,578 )	3,578
Other current liabilities - other		( 1,066 )	( 7,319 )
Cash (outflow) inflow generated from operations		( 424,522 )	243,911
Interest received		1,608	967
Interest paid		( 45,004 )	( 40,391 )
Income tax paid		( 153 )	( 1,762 )
Income tax refund		613	-
Net cash flows (used in) from operating activities		( 467,458 )	202,725

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**CHENG MEI MATERIALS TECHNOLOGY CORPORATION**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31,	
		2020	2019
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in current financial assets at amortised cost		(\$ 147,569 )	(\$ 65,061 )
Decrease (increase) in accounts receivable financing - related parties		614,119	( 508,050 )
Acquisition of investments accounted for using equity method		( 84,000 )	-
Proceeds from capital reduction of investments accounted for using equity method	6(26)	-	988,130
Acquisition of property, plant and equipment	6(26)	( 60,862 )	( 65,779 )
Proceeds from disposal of property, plant and equipment	6(26)	-	52,132
Acquisition of intangible assets	6(9)	( 5,752 )	( 8,523 )
Increase in equipment prepayments		( 70,729 )	( 36,795 )
Decrease in refundable deposits		-	23
Net cash flows from investing activities		<u>245,207</u>	<u>356,077</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Repayment of short-term borrowings	6(27)	( 2,851,137 )	( 5,484,671 )
Proceeds from short-term borrowings	6(27)	2,699,273	4,539,866
Increase in accounts payable financing - related parties	6(27)	27,056	-
Payments of lease liabilities	6(27)	( 55 )	( 53 )
Proceeds from long-term borrowings	6(27)	346,940	-
Decrease in guarantee deposits received	6(27)	-	( 5 )
Net cash flows from (used in) financing activities		<u>222,077</u>	<u>( 944,863 )</u>
Net decrease in cash and cash equivalents		( 174 )	( 386,061 )
Cash and cash equivalents at beginning of year	6(1)	<u>6,367</u>	<u>392,428</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 6,193</u>	<u>\$ 6,367</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company is primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).
- (2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depository shares.
- (3) The shareholder at shareholders’ meeting approved the change of name of the Company from Chi Mei Materials Technology Corporation to Cheng Mei Materials Technology Corporation on June 22, 2018.

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

These financial statements was authorised for issuance by to the Board of Directors on March 12, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 , ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### (2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, and SIC Interpretation as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gain and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

**B. Translation of foreign operations**

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

**(4) Classification of current and non-current items**

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

**(5) Financial assets at fair value through profit or loss**

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements(lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in shareholdings in subsidiaries do not result to a loss on control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.

- E. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value, that fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture, and recognises the difference between fair value and book value in the profit or loss for the period. The accounting treatment on the previously recognized amount related to the subsidiary in other comprehensive income is the same as the basis if the Company directly disposes related assets or liabilities, which means if the Company has recognized gain or loss in other comprehensive income, the Company should reclassify the gain or loss on disposal of related assets or liabilities to profit or loss; and when the Company loses control in the subsidiary, the gain or loss should be reclassified from equity to profit or loss.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	25 years
Machinery and equipment	4 ~ 8 years
Office equipment	5 years
Factory equipment	8 years
Other equipment	3 ~ 5 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.
- B. Licenses and franchises are amortised on a straight-line basis over their estimated useful lives of 5 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss.

They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to performance obligations, and recognizes revenue when performance obligations are satisfied. Revenue from the sale of goods comes from the sale of polarizing film. Sales of polarizing film are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped (according to the terms of trade), because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently. The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

### (1) Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the good or service before it is provided to a customer include the following:

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer; and
- C. The Company has discretion in establishing prices for the goods or services.

### (2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$2,022,796.

B. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2020, the carrying amount of unlisted stocks without active market was \$127,111.

C. Impairment of property, plant and equipment

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

As of December 31, 2020, the Company recognised property, plant and equipment, net of impairment loss amounting to \$3,628,623.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 332	\$ 182
Checking accounts and demand deposits	<u>5,861</u>	<u>6,185</u>
	<u>\$ 6,193</u>	<u>\$ 6,367</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

(2) Financial instruments at fair value through profit or loss

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 1,062</u>	<u>\$ 571</u>

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

	<u>Year ended</u> <u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 30,304	\$ 13,864
Financial liabilities held for trading		
Derivatives	( 46,785)	( 58,717)
	<u>(\$ 16,481)</u>	<u>(\$ 44,853)</u>

B. The Company entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

Derivative Financial Assets	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 206,720 thousand	2020.12~2021.1	JPY 109,340 thousand	2019.12~2020.1
Forward foreign exchange contracts	JPY 103,520 thousand	2020.12~2021.1	JPY 218,600 thousand	2019.12~2020.1
Forward foreign exchange contracts	JPY 207,040 thousand	2020.12~2021.1	-	-
Forward foreign exchange contracts	JPY 206,940 thousand	2020.12~2021.1	-	-
Forward foreign exchange contracts	JPY 186,696 thousand	2020.12~2021.1	-	-

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss are provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non current items:		
Equity instruments		
Unlisted stocks	\$ 250,000	\$ 250,000
Valuation adjustment	( 122,889)	( 102,357)
	<u>\$ 127,111</u>	<u>\$ 147,643</u>

A. The Company has elected to classify unlisted stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$127,111 and \$147,643 as at December 31, 2020 and 2019, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2020	Year ended December 31, 2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 20,532)	(\$ 41,024)

C. The Company has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Escrow demand deposits	\$ 208,630	\$ 60,061
Pledged deposit	6,000	7,000
	<u>\$ 214,630</u>	<u>\$ 67,061</u>

A. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$214,630 and \$67,061, respectively.

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 1,636,087	\$ 337,511
Accounts receivable - related parties	459,744	1,612,267
Less: Allowance for uncollectible accounts	-	( 1,587)
	<u>\$ 2,095,831</u>	<u>\$ 1,948,191</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 1,981,829	\$ 1,925,544
Up to 30 days	25,888	12,807
31 to 60 days	57,940	2,475
61 to 90 days	29,177	8,663
Over 91 days	997	289
	<u>\$ 2,095,831</u>	<u>\$ 1,949,778</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, and January 1, 2019, the balances of accounts receivable from contracts with customers amounted to \$2,095,831, \$1,949,778, and \$2,601,507, respectively.

C. The Company does not hold any collateral as guarantee for accounts receivable.

D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$2,095,831 and \$1,948,191, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,162,067	(\$ 58,300)	\$ 1,103,767
Work in progress	519,708	( 30,706)	489,002
Finished goods	478,125	( 48,098)	430,027
	\$ 2,159,900	(\$ 137,104)	\$ 2,022,796
	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,114,114	(\$ 157,430)	\$ 956,684
Work in progress	530,374	( 79,546)	450,828
Finished goods	532,547	( 180,077)	352,470
	\$ 2,177,035	(\$ 417,053)	\$ 1,759,982

The cost of inventories recognized as expense for the years ended December 31, 2020 and 2019, was \$8,746,536 and \$8,316,864, respectively, including the amounts of \$279,949 and \$54,740, respectively, that the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(7) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Cheng Mei Materials Technology (SAMOA) Corp. (Formerly Chi Mei Materials Technology (SAMOA) Corp.)	\$ 1,023,722	\$ 795,498
CM Visual Technology Corporation (Formerly Chi Mei Visual Technology Corporation)	-	13,337
Chi Mei Materials Technology Investment Co., Ltd.	3,881,286	3,637,806
Cheng Hui Trading Co., Ltd. (Formerly Mao Fong Trading Co., Ltd.)	48,798	( 149,198)
Cheng Hui Investment Co., Ltd. (Formerly Mao Yu Investment Co., Ltd.)	18,847	( 123,657)
Associates:		
CM Visual Technology Corporation	66,115	-
Add: Transferred to credit balance of investments accounted for using equity method	-	272,855
	<u>\$ 5,038,768</u>	<u>\$ 4,446,641</u>

1. Refer to Note 4(3) in the consolidated financial statements for the details of the subsidiaries.
2. The share of profit of subsidiaries, associates and joint ventures accounted for using equity method for the years ended December 31, 2020 and 2019 were \$348,255 and \$9,971, respectively.
3. In October 2019 and December 2019, the reinvested company of Chi Mei Material Technology Investment Co., Ltd. (collectively referred to herein as the “CMMTI”), Hengmei Optoelectronic Co., Ltd. (formerly Kushan Chimei Material Technology Co., Ltd., collectively referred to herein as the “HMO”), increased its capital in cash. CMMTI waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased to 38.4%. CMMTI is the single largest shareholder of HMO. Given that two other large shareholders (non-related parties) hold more shares than CMMTI and HMO reelected its directors, which indicated that CMMTI has no current ability to direct the relevant activities of HMO, CMMTI lost its control over HMO and generated gains from disposal of investment amounting to \$140,450 (shown as “share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method”). However, CMMTI still has significant influence over KSCMMT.
4. In July 2020, CMVT increased its capital in cash, the Company subscribed to all the shares, therefore, the shareholding ratio of the Company was increased from 68.33% to 96.04%. In October 2020, CMVT increased its capital in cash, the Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company was decreased to 22.96%. Then, CMVT reelected its directors and the Company lost its control over CMVT, generated gains from disposal of investment amounting to \$10,916 (shown as “other gains and losses”). However, the Company still has significant influence over CMVT.

(8) Property, plant and equipment

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipments under acceptance	Total
<u>At January 1,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,622,719	\$ 46,376	\$ 3,579,306	\$ 126,102	\$ -	\$ 13,097,673
Accumulated depreciation and impairment	-	( 1,405,876)	( 4,334,638)	( 35,805)	( 3,350,801)	( 116,023)	-	( 9,243,143)
	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ -</u>	<u>\$ 3,854,530</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,888,751	\$ 288,081	\$ 10,571	\$ 228,505	\$ 10,079	\$ -	\$ 3,854,530
Additions	-	-	29,526	2,616	28,442	6,527	-	67,111
Reclassifications	-	-	2,880	-	1,827	720	25,105	30,532
Depreciation charge	-	( 129,838)	( 124,057)	( 4,107)	( 60,320)	( 5,228)	-	( 323,550)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>
<u>At December 31,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,655,026	\$ 48,979	\$ 3,597,731	\$ 133,336	\$ 25,105	\$ 13,183,347
Accumulated depreciation and impairment	-	( 1,535,714)	( 4,458,596)	( 39,899)	( 3,399,277)	( 121,238)	-	( 9,554,724)
	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Total
<u>At January 1,</u>							
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,558,332	\$ 41,368	\$ 3,554,477	\$ 125,916	\$ 13,003,263
Accumulated depreciation and impairment	-	( 1,276,038)	( 4,199,945)	( 30,926)	( 3,248,630)	( 111,428)	( 8,866,967)
	<u>\$ 1,428,543</u>	<u>\$ 2,018,589</u>	<u>\$ 358,387</u>	<u>\$ 10,442</u>	<u>\$ 305,847</u>	<u>\$ 14,488</u>	<u>\$ 4,136,296</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 2,018,589	\$ 358,387	\$ 10,442	\$ 305,847	\$ 14,488	\$ 4,136,296
Additions	-	-	26,694	5,073	20,924	3,846	56,537
Disposals	-	-	( 108)	-	-	( 147)	( 255)
Reclassifications	-	-	37,840	-	4,900	428	43,168
Depreciation charge	-	( 129,838)	( 134,732)	( 4,944)	( 103,166)	( 8,536)	( 381,216)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ 3,854,530</u>
<u>At December 31,</u>							
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,622,719	\$ 46,376	\$ 3,579,306	\$ 126,102	\$ 13,097,673
Accumulated depreciation and impairment	-	( 1,405,876)	( 4,334,638)	( 35,805)	( 3,350,801)	( 116,023)	( 9,243,143)
	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ 3,854,530</u>

A. For the years ended December 31, 2020 and 2019, there was no borrowing costs capitalised as part of property, plant and equipment.

B. The above property, plant and equipment were used for the operations of the Company and were not available for lease.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Intangible assets

	<u>2020</u>
	<u>Computer Software</u>
<u>At January 1,</u>	
Cost	\$ 80,001
Accumulated amortisation and impairment	( 71,728)
	<u>\$ 8,273</u>
At January 1	\$ 8,273
Additions-acquired separately	5,752
Amortisation charge	( 6,872)
At December 31	<u>\$ 7,153</u>
<u>At December 31,</u>	
Cost	\$ 85,753
Accumulated amortisation and impairment	( 78,600)
	<u>\$ 7,153</u>

	<u>2019</u>		
	<u>Computer Software</u>	<u>Licenses and Franchises</u>	<u>Total</u>
<u>At January 1,</u>			
Cost	\$ 71,478	\$ 9,200	\$ 80,678
Accumulated amortisation and impairment	( 58,663)	( 8,280)	( 66,943)
	<u>\$ 12,815</u>	<u>\$ 920</u>	<u>\$ 13,735</u>
At January 1	\$ 12,815	\$ 920	\$ 13,735
Additions-acquired separately	8,523	-	8,523
Amortisation charge	( 13,065)	( 920)	( 13,985)
At December 31	<u>\$ 8,273</u>	<u>\$ -</u>	<u>\$ 8,273</u>
<u>At December 31,</u>			
Cost	\$ 80,001	\$ 9,200	\$ 89,201
Accumulated amortisation and impairment	( 71,728)	( 9,200)	( 80,928)
	<u>\$ 8,273</u>	<u>\$ -</u>	<u>\$ 8,273</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of sales	\$ 547	\$ 3,024
General and administrative expenses	6,325	10,041
Research and development expenses	-	920
	<u>\$ 6,872</u>	<u>\$ 13,985</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 684,486	0.60% ~ 3.68%	-
Bank secured borrowings	953,445	0.85% ~ 2.57%	Land, buildings and structures
Other short-term borrowings	104,852	3.85% ~ 4.75%	Machinery equipment, office equipment, factory equipment, miscellaneous equipment
	<u>\$ 1,742,783</u>		

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 1,529,038	0.63% ~ 4.02%	-
Bank secured borrowings	319,775	0.82% ~ 2.67%	Land, buildings and structures
Other short-term borrowings	45,834	4.11%	Machinery equipment, factory equipment
	<u>\$ 1,894,647</u>		

A. Information about interest expense recognised in profit or loss is provided in Note 6(21).

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

(a) During the debt negotiation, the bank loans are secured by the Company's chairman, Ho, Jau-Yang, as a joint guarantor.

(b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.

(c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.

(d) The Company sets up an escrow account and funds are remitted into the account for a centralised management and supervision. (The escrow account is set up in the largest creditor bank)

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

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

(a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.

(b) Taiwan Cooperative Bank and Changhua Bank will negotiate with the headquarters for increasing facilities (issuing letters of credit and hedge amount) to support the operation cashflow of the Company. Remaining banks will extend the maturity to March 31, 2022 or extend the drawing period of drawn facilities to March 31, 2022.

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

D. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on December 30, 2020. The resolutions of the meeting are as follows:

(a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.

(b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.

(c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. As of March 12, 2021, the written approval of each creditor bank has not been obtained.

E. In November 2019, March 2020, September 2020 and December 2020, the Company was financed by IBT Leasing Co., Ltd and Robina Finance & Leasing Corp. through sales with buyback agreements. As of December 31, 2020 and 2019, the Company issued unexpired notes in the amounts of \$109,497 and 47,718 for the aforementioned transaction, respectively.

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

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for salaries or bonuses	\$ 128,644	\$ 138,100
Payables for annual leave	36,191	36,578
Payables for insurance premiums	16,523	11,699
Payables for purchase of equipment	15,242	8,993
Payables for interest	1,784	1,576
Others	123,093	117,126
	<u>\$ 321,477</u>	<u>\$ 314,072</u>

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2021 because of debt negotiation.	\$ 200,000	\$ 200,000
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	212,260	-
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.	134,680	-
	<u>546,940</u>	<u>200,000</u>
Less: Current portion	( 228,912)	( 200,000)
	<u>\$ 318,028</u>	<u>\$ -</u>
Interest rate range	<u>2.57%</u>	<u>1.50%</u>

A. Information on interest expense recognised in profit or loss is provided in Note 6(21).

B. Due to the difficulty of repayment, the Company started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to 6(10) for details.

C. Information about the collateral for long-term borrowings is provided in Note 8.

(13) Pensions

A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$35,951 and \$35,583, respectively.

(14) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares and the paid-in capital was \$6,657,285 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Units: in thousand shares)	
	2020	2019
At January 1 (and December 31)	<u>665,729</u>	<u>665,729</u>

B. GDRS

(a) On December 20, 2016, the Company's Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of December 31, 2020, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

i. Voting rights

Unless otherwise specified by applicable laws and regulations, the Bank of New York Mellon (the "Depository") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Deposit Agreement (the "Deposit Agreement") entered into by the Company, the Depository, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

ii. Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depository to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement.

iii. Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on their distributions as the holders of common shares of the Company. If the Company distributes share dividends or makes other share distributions in the future, the Depository will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

(15) Capital surplus

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

	2020			
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 803,494	\$ 6,776	\$ 133,756	\$ 944,026
Changes in ownership interests in subsidiaries	-	-	( 5,084)	( 5,084)
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 938,942</u>
	2019			
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 803,494	\$ 6,776	\$ 41,419	\$ 851,689
Changes in ownership interests in subsidiaries	-	-	92,337	92,337
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 133,756</u>	<u>\$ 944,026</u>

(16) Retained earnings

A. Under the Company's Articles of Incorporation, surplus should be used to pay tax, offset the aggregated loss, and 10% surplus in mandatory reserve. However, 10 % mandatory reserve may not to be executed as the reserve reaches to the amount of registered capital of the company; the Board of Directors is authorized to assign dividend and bonus wholly or partially in cash and report to shareholders' meeting if mandatory reserve, tax and levies have been paid out.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. Special reserve

In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. On April 30, 2020 and June 28, 2019, the shareholders resolved not to appropriate dividends, and provisioned special reserve amounting to \$229,331 and \$201,306, respectively.

E. On March 12, 2021, the Board of Directors of the Company proposed not to appropriate dividends and reversed special reserves amounting to \$53,493.

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Taiwan	\$ 3,222,479	\$ 2,942,788
Mainland China	4,181,925	4,598,979
Other Asian area	<u>1,353,391</u>	<u>529,285</u>
	<u>\$ 8,757,795</u>	<u>\$ 8,071,052</u>

B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities			
– sale of goods	<u>\$ 20,237</u>	<u>\$ 18,249</u>	<u>\$ 21,926</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 18,194</u>	<u>\$ 21,870</u>

(18) Interest income

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Interest income from bank deposits	\$ 1,608	\$ 686
Other interest income	<u>-</u>	<u>281</u>
	<u>\$ 1,608</u>	<u>\$ 967</u>

(19) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Rental income	\$ 4,175	\$ 4,468
Royalty income	54,579	60,357
Disgorgement income	-	11,033
Patent income	19,800	-
Others	8,514	17,698
	<u>\$ 87,068</u>	<u>\$ 93,556</u>

(20) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Losses on disposals of property, plant and equipment	\$ -	(\$ 237)
Foreign exchange gains	( 39,973)	5,769
Net losses on financial assets or liabilities at fair value through profit or loss	( 16,481)	( 44,853)
Gains on disposals of investments	10,916	-
Others	( 476)	( 11)
	<u>(\$ 46,014)</u>	<u>(\$ 39,332)</u>

(21) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense - bank borrowings	\$ 45,209	\$ 39,268
Interest expense - lease liabilities	3	3
	<u>\$ 45,212</u>	<u>\$ 39,271</u>

(22) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expense	\$ 921,750	\$ 868,339
Depreciation charges on property, plant and equipment	323,550	381,216
Depreciation charges on right-of-use assets	55	55
Amortisation charges on intangible assets	6,872	13,985

(23) Employee benefit expense

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Pension costs	\$ 35,951	\$ 35,583
Short-term employee benefits	<u>888,107</u>	<u>832,756</u>
	<u>\$ 924,058</u>	<u>\$ 868,339</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. The Company incurred losses for the years ended December 31, 2020 and 2019; thus, neither employees' compensation nor remuneration of directors were estimated.

Information about employees' compensation and directors' remuneration of the Company as approved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	<u>-</u>	<u>2,187</u>
Total current tax	<u>-</u>	<u>2,187</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
Income tax expense	<u>\$ -</u>	<u>\$ 2,187</u>

B. Reconciliation between income tax expense and accounting loss:

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Tax calculated based on loss before tax and statutory tax rate	(\$ 17,111)	(\$ 137,274)
Expenses disallowed by tax regulation	9,682	26,981
Temporary differences not recognised as deferred tax assets	( 85,445)	-
	-	( 33,783)
Taxable loss not recognised as deferred tax assets	92,874	144,076
Prior year income tax underestimation	-	2,187
Income tax expense	<u>\$ -</u>	<u>\$ 2,187</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	<u>2020</u>		
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>December 31</u>
Deferred tax assets:			
-Temporary differences:			
Allowance for obsolescence and decline in market value of inventories	\$ 68,731	(\$ 45,786)	\$ 22,945
Unrealised gain on financial assets	59	( 59)	-
Deferred revenue	4,160	( 4,160)	-
Unrealized exchange gain	108	4,023	4,131
Provision	2,074	( 2,074)	-
Others	1,249	6,148	7,397
-Tax losses	-	55,247	55,247
	<u>76,381</u>	<u>13,339</u>	<u>89,720</u>
Deferred tax liabilities:			
-Temporary differences:			
Gain on foreign investment accounted for under equity method	( 6,768)	( 20,075)	( 26,843)
Unrealised gain on financial assets	-	( 212)	( 212)
Others	( 15,906)	6,948	( 8,958)
	<u>( 22,674)</u>	<u>( 13,339)</u>	<u>( 36,013)</u>
	<u>\$ 53,707</u>	<u>\$ -</u>	<u>\$ 53,707</u>

		2019		
		January 1	Recognised in profit or loss	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and decline				
in market value of inventories	\$	68,731	\$ -	\$ 68,731
Unrealised gain on financial assets		59	-	59
Deferred revenue		4,160	-	4,160
Unrealized exchange gain		108	-	108
Provision		2,074	-	2,074
Others		1,249	-	1,249
		<u>76,381</u>	<u>-</u>	<u>76,381</u>
Deferred tax liabilities:				
-Temporary differences:				
Gain on foreign investment accounted for				
under equity method	(	6,768)	-	( 6,768)
Others	(	15,906)	-	( 15,906)
	(	22,674)	-	( 22,674)
	\$	<u>53,707</u>	\$ -	<u>\$ 53,707</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2020						
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year	
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026	
2017	Amount assessed	572,292	572,292	572,292	2027	
2018	Amount assessed	147,871	147,871	147,871	2028	
2019	Amount filed	837,226	837,226	837,226	2029	
2020	Expected amount filed	792,168	792,168	515,931	2030	
December 31, 2019						
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year	
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026	
2017	Amount assessed	572,292	572,292	572,292	2027	
2018	Amount filed	147,871	147,871	147,871	2028	
2019	Expected amount filed	720,380	720,380	720,380	2029	

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ -	\$ 427,223

F. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Loss per share

	<u>Year ended December 31, 2020</u>		
	Weighted average number of ordinary shares outstanding		Loss per share
	<u>Amount after tax (share in thousands)</u>		<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company	(\$ 85,555)	<u>665,729</u>	(\$ 0.13)
	<u>Year ended December 31, 2019</u>		
	Weighted average number of ordinary shares outstanding		Loss per share
	<u>Amount after tax (share in thousands)</u>		<u>(in dollars)</u>
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the Company	(\$ 688,559)	<u>665,729</u>	(\$ 1.03)

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Purchase of property, plant and equipment	\$ 67,111	\$ 56,537
Add: Opening balance of payable on equipment	8,993	18,235
Less: Ending balance of payable on equipment	( 15,242)	( 8,993)
Cash paid during year ended December 31	<u>\$ 60,862</u>	<u>\$ 65,779</u>

B. Investing activities with partial cash received

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Disposal of property, plant and equipment	\$ -	\$ 18
Add: Opening balance of other receivables on related parties	-	52,114
Cash received during year ended December 31	<u>\$ -</u>	<u>\$ 52,132</u>

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Capital reduction of investments		
accounted for using equity method	\$ -	\$ 1,341,000
Add: Opening balance of other receivables on related parties	352,870	-
Less: Ending balance of other receivables on related parties	-	0
Addition of investment accounted for using equity method by debt for equity swap	( 352,870)	( 352,870)
Proceed from capital reduction of investments accounted for using equity method	<u>\$ -</u>	<u>\$ 988,130</u>

C. Investing activities with no cash flow effects

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
(1) Amount written off due to uncollectible accounts	<u>\$ 1,587</u>	<u>\$ -</u>
(2) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 30,532</u>	<u>\$ 43,168</u>

(27) Changes in liabilities from financing activities

	Changes in cash flow		
	<u>At January 1, 2020</u>	<u>from financing activities</u>	<u>At December 31, 2020</u>
Short-term borrowings	\$ 1,894,647	(\$ 151,864)	\$ 1,742,783
Other payables-related parties	-	27,056	27,056
Lease liabilities	200	( 55)	145
Long-term borrowings	200,000	346,940	546,940
Guarantee deposits received	40	-	40
Liabilities from financing activities-gross	<u>\$ 2,094,887</u>	<u>\$ 222,077</u>	<u>\$ 2,316,964</u>

	Changes in cash flow		
	<u>At January 1, 2019</u>	<u>from financing activities</u>	<u>At December 31, 2019</u>
Short-term borrowings	\$ 2,839,452	(\$ 944,805)	\$ 1,894,647
Lease liabilities	253	( 53)	200
Long-term borrowings	200,000	-	200,000
Guarantee deposits received	45	( 5)	40
Liabilities from financing activities-gross	<u>\$ 3,039,750</u>	<u>\$ 944,863</u>	<u>\$ 2,094,887</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Subsidiaries
Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Subsidiaries
Cheng Hui Investment Co., Ltd. ("CHI") (Formerly Mao Yu Investment Co., Ltd ("MYI"))	Subsidiaries
Cheng Hui Trading Co., Ltd. ("CHT") (Formerly Mao Fong Trading Co., Ltd ("MFT"))	Subsidiaries
Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Subsidiaries
Mao Fong Group Co., Ltd.	Subsidiaries
Kunshan Shin Mao Fong International Trading Co., Ltd.	Subsidiaries (Note 1)
Innolux Corporation ("Innolux")	Persons as director of the Company (Note 2)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliates (Note 3)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliates (Note 3)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliates (Note 3)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliates (Note 3)
CM Visual Technology Corporation ("CMVT")	Associate (Note 4)
Hengmei Optoelectronics Co., Ltd. ("HMO") (Formerly Kunshan Chi Mei Materials Technology Co., Ltd.)	Associate (Note 5)

Note 1: The cancellation of registration was completed on October 30, 2020.

Note 2: It had served as the legal persons as director of the Company from April 26, 2019.

Note 3: It is the subsidiary owned by Innolux.

Note 4: In October 2020, CMVT increased its capital in cash. The Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company was decreased from 96.04% to 22.96%. Then, CMVT reelected its directors and the Company lost its control over CMVT. However, the Company still has significant influence over CMVT, thus CMVT is considered an associate of the Company.

Note 5: On October 15, 2019, the former shareholder, Zhejiang Renyuan Import & Export Co., Ltd, increased its investment in HMO in the amount of USD 28.5 million, the shareholding ratio of CMMTI was decreased from 49.5% to 45.15%. On December 17, 2019, Hefei Northtown Optoelectronic Industry Fund No. 2 (LLP) increased its investment in HMO in the amount of \$57 million, causing CMMTI's shareholding ratio to decrease to 38.4%. In addition, HMO's directors have been reelected on December 24, 2019. As a result, CMMTI lost its control over HMO. However, CMMTI still has significant influence over HMO, thus HMO is considered an associate of the Company.

(2) Significant related party transactions

A. Operating revenue

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Sales of goods:		
NBCMMT	\$ 2,885,511	\$ 2,793,829
Innolux	904,143	1,704,889
Affiliates	327,541	688,609
Subsidiaries	60,110	788,672
Associates	<u>23,645</u>	<u>-</u>
	<u>\$ 4,200,950</u>	<u>\$ 5,975,999</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd., were written off when preparing the parent company only financial statements. For the years ended December 31, 2020 and 2019, the write-offs amounted to \$92,439 and \$112,437, respectively.

(b) The selling price and collection terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

B. Purchases

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Purchases of goods:		
Subsidiaries	\$ 45,700	\$ 39,841
Associates	940	-
Affiliates	<u>-</u>	<u>92,069</u>
	<u>\$ 46,640</u>	<u>\$ 131,910</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, Ningbo Cheng Mei Materials Technology Co., Ltd., through an offshore entity were written off when preparing the parent company only financial statements. Please refer to Note 7(2) A. for details.

(b) The purchases price and payment terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

C. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
NBCMMT	\$ 415,399	\$ 464,737
Innolux	-	668,132
Foshan Innolux	-	387,872
Associates	44,345	52,995
Subsidiaries	-	34,487
Affiliates	-	4,044
	<u>\$ 459,744</u>	<u>\$ 1,612,267</u>
Other receivables (excluding loans):		
HMO	\$ 51,820	\$ 54,554
MFT (Note)	-	206,000
MYI (Note)	-	146,870
Associates	2,221	-
Subsidiaries	-	1,326
	<u>\$ 54,041</u>	<u>\$ 408,750</u>

Note: Receivables for reduction of investments accounted for using equity method.

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiaries	\$ 25,682	\$ 46,101
Associates	1,570	-
	<u>\$ 27,252</u>	<u>\$ 46,101</u>
Other payables (excluding loans):		
Subsidiaries	<u>\$ -</u>	<u>\$ 3,578</u>

E. Prepayment for equipment (categorized as “other non-current assets”)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ -</u>	<u>\$ 8,263</u>

F. Current contract liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
HMO	<u>\$ 13,774</u>	<u>\$ 13,928</u>

G. Other revenue

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
HMO (Note 1)	\$ 54,579	\$ 60,357
CMVT (Note 2)	<u>30,494</u>	<u>8,341</u>
	<u>\$ 85,073</u>	<u>\$ 68,698</u>

Note 1: Mainly for royalty income.

Note 2: Mainly for rental income, patent income and others.

H. Operating expenses

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Subsidiaries	\$ 7,493	\$ 13,597
Associates	<u>4,595</u>	<u>-</u>
	<u>\$ 12,088</u>	<u>\$ 13,597</u>

I. Loans to / from related parties

(a) Loans to related parties (categorized as “other receivables - related parties”)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Ending balance		
CMVT	\$ -	\$ 85,000
HMO	<u>-</u>	<u>529,119</u>
	<u>\$ -</u>	<u>\$ 614,119</u>

i. On May 7, 2020 and November 11, 2019, the Board of Directors of the Company resolved to provide a loan to CMVT in the amounts of \$84,000 and \$85,000, respectively. The loan period was 6 months at an interest rate of 2.50%.

ii. On May 7, 2020 and November 11, 2019, the Board of Directors resolved to reclassify the accounts receivable of KSCMMT that exceeded a certain period from loans to others to other receivables. The loan period was 6 months.

(b) Loans from related parties (categorized as “other payables - related parties”)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Ending balance		
Mao Fong Group Co., Ltd.	<u>\$ 27,056</u>	<u>\$ -</u>

The terms of borrowing from subsidiaries are repaying the principal and interest at once after 1 year, and the interest rate was 2.97%.

J. Endorsements and guarantees provided by the Company to the related parties:

	December 31, 2020		December 31, 2019	
	Outstanding endorsements/ guarantee amount	Actual amount drawn down	Outstanding endorsements/ guarantee amount	Actual amount drawn down
KSCMMT	\$ 3,502,344	\$ 2,364,136	\$ 3,444,732	\$ 2,342,259

(3) Key management compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	\$ 29,706	\$ 28,014
Post-employment benefits	384	420
	<u>\$ 30,090</u>	<u>\$ 28,434</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2020	December 31, 2019	
Demand deposit (Note)	\$ 208,630	\$ 60,061	An escrow account for debt negotiation procedures
Pledged deposits (Note)	6,000	7,000	Provided as collateral for the letters of credit for purchase of raw materials
Property, plant and equipment - land	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,758,913	1,888,751	Long-term and short-term loan
Property, plant and equipment - Machinery and equipment	116,616	132,525	Short-term loan
Property, plant and equipment - Factory equipment	80,808	23,435	Short-term loan
Property, plant and equipment - Office equipment	4,619	-	Short-term loan
Property, plant and equipment - Miscellaneous equipment	1,790	-	Short-term loan
	<u>\$ 3,605,919</u>	<u>\$ 3,540,315</u>	

Note: It is categorized as "financial assets at amortized cost".

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Company as of December 31, 2020 and 2019 were as follows:

- (1) As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousands)	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
JPY	\$ 2,276,309	\$ 1,926,574
USD	539	-
TWD	-	-

- (2) As of December 31, 2020 and 2019, the amounts of guarantees provided by financial institutions for the purpose of importing goods were \$6,000 and \$7,000, respectively.
- (3) As of December 31, 2020 and 2019, the unpaid amounts of the construction contracts that the Company entered into for the expansion of factories and machinery equipment were \$61,636 and \$32,224, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) On January 29, 2021, the Company's Board of Directors resolved to terminate the resolution adopted by the stockholders at their annual stockholders' meeting on April 30, 2020 in relation to the issuance of its common shares through public or private offering, the issuance of new shares to participate in overseas depository receipts, or the issuance of overseas or domestic convertible corporate bonds, which includes secured or unsecured convertible corporate bonds.
- (2) On December 28, 2020, HMO's Board of Directors resolved to increase its capital in cash and the capital verification was completed on February 4, 2021. CMMTI waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased to 28.10%.
- (3) On March 12, 2021, the Company's Board of Directors resolved to issue Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. The Company expects to issue 20,000 thousand shares.

## 12. OTHERS

### (1) Capital management

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

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

The gearing ratios at December 31, 2020 and 2019 were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 4,032,618	\$ 3,849,582
Total assets	\$ 13,654,234	\$ 13,508,344
Gearing ratio	30%	28%

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,062	\$ 571
Financial assets at fair value through other comprehensive		
Designation of equity instruments	\$ 127,111	\$ 147,643
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 6,193	\$ 6,367
Financial assets at amortised cost	214,630	67,061
Accounts receivable	2,095,831	1,948,191
Other receivables	108,608	1,074,291
Refundable deposits	50	50
	<u>\$ 2,425,312</u>	<u>\$ 3,095,960</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,742,783	\$ 1,894,647
Accounts payable	1,331,525	1,115,799
Other payables	348,533	317,650
Long-term borrowings (including current portion)	546,940	200,000
Guarantee deposits received	40	40
	<u>\$ 3,969,821</u>	<u>\$ 3,528,136</u>
Lease liabilities	<u>\$ 145</u>	<u>\$ 200</u>

## B. Financial risk management policies

- (a) The Company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
- (c) The Company Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.
- (d) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Company manages its foreign currency risk and interest rate risk by using derivative financial instrument, including foreign exchange forward contracts to hedge the risk arising from US dollar-denominated assets generated by sales and Japanese yen-denominated liabilities generated by the importation of raw materials from Japan.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,549	28.48	\$ 2,265,556
JPY:NTD	12,186	0.276	3,363
RMB:NTD	10,273	4.377	44,965
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,130	28.48	146,102
JPY:NTD	6,238,870	0.276	1,721,928
December 31, 2019			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,259	29.98	\$ 1,956,465
JPY:NTD	70,747	0.276	19,526
RMB:NTD	135,100	4.305	581,606
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,052	29.98	181,439
JPY:NTD	6,300,168	0.276	1,738,846

- v. Total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019 amounted to (\$39,973) and \$5,769, respectively.

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

Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 11,328	-
JPY:NTD	0.5%	17	-
RMB:NTD	0.5%	225	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	731	-
JPY:NTD	0.5%	8,610	-
Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 9,782	-
JPY:NTD	0.5%	98	-
RMB:NTD	0.5%	2,908	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	907	-
JPY:NTD	0.5%	8,694	-

Price risk

A. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

B. The Company invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, would have increased/decreased by \$1,271 and \$1,476, respectively.

Interest rate risk

The Company's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$21,849 and \$20,488, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Company's concentration of credit risk, was related to the Company's five largest customers. The average credit period of sales of goods was 60 to 120 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Company's major customers is obtained from other publicly available financial information or the Company's own trading records. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.
- iv. The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Company's customer base. The Company's credit risk of other receivables is assessed individually.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

- vi. The loss allowance of trade receivables based on the Company's provision matrix is as follows:

On December 31, 2020, the Company estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.00%, past due up to 30 days were 0.00%, past due 31 to 90 days were 0.00%~0.00%, past due 91 to 180 days were 0.00%~0.02%, past due 181 to 270 days were 0.14%~1.65%, past due 271 to 360 days were 4.07%~29.71%, and past due over 360 days were 100%. As of December 31, 2019, the Company estimated expected loss rate for customers' accounts receivable as follows: not past due were 0.02%, past due up to 30 days were 0.02%, past due 31 to 90 days were 0.02%~0.04%, past due 91 to 180 days were 0.06%~0.11%, past due 181 to 270 days were 0.02%~0.96%, past due 271 to 360 days were 4.35%~25.04%, and past due over 360 days were 100%. As of December 31, 2020 and 2019, the total amount of the Company's accounts receivable which past due over 31 days were 4% and 1%, respectively.

- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2020	2019
January 1	\$ 1,587	\$ 1,628
Reversal of impairment loss	-	( 41)
Amount written off due to uncollectible accounts	( 1,587)	-
December 31	\$ -	\$ 1,587

- viii. For the years ended December 31, 2020 and 2019, the impairment gain from reversal of accounts receivable arising from customer contracts was \$0 and \$41, respectively.

(c) Liquidity risk

- i. The Company Treasury function manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Company.

- ii. Company treasury invests surplus cash in interest bearing current accounts, check deposit, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2020 and 2019, the Company held money market position of \$5,861 and \$6,185, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company relies on bank loans as a significant source of liquidity, the Company had available unutilized short-term bank loan facilities as below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank overdraft facility		
Amount unused	\$ 7,386	\$ 16,188
Secured bank overdraft facility		
Amount unused	<u>237,930</u>	<u>243,014</u>
	<u>\$ 245,316</u>	<u>\$ 259,202</u>

iv. Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

December 31, 2020

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 1,779,984	\$ -	\$ -
Accounts payable	1,331,525	-	-
Other payables	348,533	-	-
Long-term borrowings (including current portion)	234,561	333,353	-
Lease liabilities	57	91	-

December 31, 2019

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 1,903,193	\$ -	\$ -
Accounts payable	1,115,799	-	-
Other payables	317,650	-	-
Long-term borrowings (including current portion)	203,000	-	-
Lease liabilities	57	148	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

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

(a) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,062	\$ -	\$ 1,062
Financial assets at FVOCI				
Equity securities	-	-	127,111	127,111
	<u>\$ -</u>	<u>\$ 1,062</u>	<u>\$ 127,111</u>	<u>\$ 128,173</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 571	\$ -	\$ 571
Financial assets at FVOCI				
Equity securities	-	-	147,643	147,643
	<u>\$ -</u>	<u>\$ 571</u>	<u>\$ 147,643</u>	<u>\$ 148,214</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

ii. The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

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

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

D. For the years ended December 31, 2020 and 2019, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3 in the years ended December 31, 2020 and 2019:

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 147,643	\$ 188,667
Losses recognised in other comprehensive income	( 20,532)	( 41,024)
At December 31	<u>\$ 127,111</u>	<u>\$ 147,643</u>

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments					
Unlisted shares	\$ 127,111	Market comparable companies	Multiple price-book ratio	0.59~1.86	The higher the price-book ratio, the higher the fair value

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments					
Unlisted shares	\$ 147,643	Market comparable companies	Multiple price- book ratio	0.70~2.46	The higher the price- book ratio, the higher the fair value

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		<u>December 31, 2020 Recognised in other comprehensive income</u>			
		<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity instruments	Multiple price - book ratio		±1%	\$ 1,078	(\$ 1,078)
		<u>December 31, 2019 Recognised in other comprehensive income</u>			
		<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets					
Equity instruments	Multiple price - book ratio		±1%	\$ 1,504	(\$ 1,666)

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 4.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

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

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Description	Amount
Cash on hand and revolving funds		\$ 332
Cash in banks	Checking Account	279
	NTD demand deposit	612
	Foreign currency demand deposits	4,970
	(USD 143 thousand, exchange rate 28.48;	
	RMB 5 thousand, exchange rate 4.377;	
	JPY 3,171 thousand, exchange rate 0.276)	
		\$ 6,193

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

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Innolux Corporation	Sales revenue	\$ 566,133	
DongGuan Topfly New Materials Technology Co., Ltd.	Sales revenue	437,260	
Sakai Display Products Corporation	Sales revenue	392,069	
Foshan Innolux Optoelectronics Ltd.	Sales revenue	179,637	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	<u>60,988</u>	
		<u>\$ 1,636,087</u>	
Related parties			
NBCMMT	Sales revenue	\$ 415,399	
CMVT	Sales revenue	43,339	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	<u>1,006</u>	
		<u>\$ 459,744</u>	

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

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$ 1,162,067	\$ 1,129,560	Measured by lower of cost and net realizable value
Work in process	519,708	489,002	
Finished goods	478,125	430,046	
	2,159,900	\$ 2,048,608	
Less: Allowance of valuation loss	( 137,104)		
	\$ 2,022,796		

**CHENG MEI MATERIALS TECHNOLOGY CORPORATION**  
**(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Expressed in thousands of NTD													
Name	Balance, January 1, 2020		Additions in Investment (Note 2)		Decrease in Investment (Note 2)		Balance, December 31, 2020			Market Value or Net Assets Value			
	Shares		Shares		Shares		Shares			Unit Price			
	(In thousand)	Amounts	(In thousand)	Amounts	(In thousand)	Amounts	(In thousand)	%	Amounts	(NT\$)	Total Amount	Collateral	Note
CMMTS	13,300	\$ 795,498	-	\$ 228,224	-	\$ -	13,300	100%	\$ 1,023,722	\$ 76.97	1,023,722	No	Note 1
CMMTI	146,500	3,637,806	-	243,480	-	-	146,500	100%	3,881,286	26.49	3,881,286	No	Note 1
CHT	500	( 149,198)	20,600	197,996	-	-	21,100	100%	48,798	2.31	48,798	No	Note 1
CHI	500	( 123,657)	14,687	142,504	-	-	15,187	100%	18,847	1.24	18,847	No	Note 1
CMVT	20,500	13,337	8,400	52,778	22,262	-	6,638	23%	66,115	9.96	66,115	No	Note 1
		4,173,786		<u>\$ 864,982</u>		<u>\$ -</u>			5,038,768		<u>\$ 5,038,768</u>		
Add: Transferred to credit													
balance of investments													
accounted for using equity													
method		<u>272,855</u>							<u>-</u>				
		<u>\$ 4,446,641</u>							<u>\$ 5,038,768</u>				

Note 1: This is calculated by the invested company's financial statements audited by independent accountant in the same period.

Note 2: Additions (decreases) are increase in investment in subsidiaries, recognizing investment gains (losses), exchange differences on translation of foreign financial statements and unrealized gains (losses) on fair value through other comprehensive income equity instrument.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF COST OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Balance,</u> <u>January 1, 2020</u>	<u>Addition</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance,</u> <u>December 31, 2020</u>	<u>Collateral</u>	<u>Note</u>
Land	\$ 1,428,543	\$ -	\$ -	\$ -	\$ 1,428,543	Yes	
Building and structures	3,294,627	-	-	-	3,294,627	Yes	
Machinery and equipment	4,622,719	29,526	( 99)	2,880	4,655,026	Yes	
Office equipment	46,376	2,616	( 13)	-	48,979	Yes	
Factory equipment	3,579,306	28,442	( 11,844)	1,827	3,597,731	Yes	
Miscellaneous	126,102	6,527	( 13)	720	133,336	Yes	
Construction in progress and equipment under acceptance	-	-	-	25,105	25,105	No	
	<u>\$ 13,097,673</u>	<u>\$ 67,111</u>	<u>(\$ 11,969)</u>	<u>\$ 30,532</u>	<u>\$ 13,183,347</u>		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Balance,</u> <u>January 1,2020</u>	<u>Addition</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Balance,</u> <u>December 1,2020</u>	<u>Note</u>
Building and structures	\$ 1,405,876	\$ 129,838	\$ -	\$ -	\$ 1,535,714	Note
Machinery and equipment	4,334,638	124,057	( 99)	-	4,458,596	Note
Office equipment	35,805	4,107	( 13)	-	39,899	Note
Factory equipment	3,350,801	60,320	( 11,844)	-	3,399,277	Note
Miscellaneous	<u>116,023</u>	<u>5,228</u>	<u>( 13)</u>	<u>-</u>	<u>121,238</u>	Note
	<u>\$ 9,243,143</u>	<u>\$ 323,550</u>	<u>(\$ 11,969)</u>	<u>\$ -</u>	<u>\$ 9,554,724</u>	

Note: Information about depreciation method and useful life is provided in Note 4(14).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2020

Expressed in thousands of NTD

Type	Description	Balance, December 31, 2020	Contract Period	Loan Commitments	Collateral	Note
Secured loan	Taiwan Cooperative Bank	\$ 500,000	2018.05.22~2021.03.31	1,500,000	Land, buildings and structures	Note 3
Secured loan	Chang Hwa Commercial Bank	300,000	2019.04.01~2021.03.31	900,000	Land, buildings and structures	Note 3
Financing from sales with buyback agreements	ROBINA FINANCE & LEASING CORP.	67,352	2020.12.07~2021.12.07	67,352	Machinery, factory and office equipment	
Financing from sales with buyback agreements	IBT Leasing Co., LTD.	37,500	2020.09.22~2021.09.22	37,500	Machinery, factory and miscellaneous equipment	
Standby L/C loan	Taiwan Cooperative Bank	153,445	2020.11.10~2021.04.30	1,500,000	Land, buildings and structures	
L/C loan	Mega international Commercial Bnak	41,475	2019.02.27~2021.03.31	424,627	No	Note 3
L/C loan	Bnak of Taiwan	363,529	2018.12.04~2021.03.31	363,529	No	Note 3
L/C loan	Taiwan Business Bank	142,351	2018.12.06~2021.03.31	142,351	No	Note 3
L/C loan	Hua Nan Commercial Bank	58,573	2019.01.11~2021.03.31	58,573	No	Note 3
L/C loan	Land bank of Taiwan	41,293	2018.12.14~2021.03.31	41,293	No	Note 3
L/C loan	The Shanghai Commercial and Savings Bank	29,879	2019.01.15~2021.03.31	37,265	No	Note 3
OA foreign currency loan	The Shanghai Commercial and Savings Bank	7,386	2019.01.10~2021.03.31	37,265	No	Note 3
		<u>\$ 1,742,783</u>				

Note 1: The interest rate is 0.60%~3.68%.

Note 2: The loan commitments of the same bank is a common quota.

Note 3: The Company started a debt negotiation meeting with Taiwan Cooperative Bank and other financial institutions, The resolutions of the meeting are that the principal repayment is extended for one year (until the end of March 2021).

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

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
DAI NIPPON PRINTING CO., LTD.	Purchase	\$ 361,970	
FUJIFILM CORPORATION	Purchase	175,598	
KURARAY TRADING CO.,LTD.	Purchase	140,147	
MARUBENI PLAX CORPORATION	Purchase	121,012	
KONICA MINOLTA, INC.	Purchase	95,923	
Others (The amount of individual vendor does not exceed 5% of the account balance)	Purchase	409,623	
		<u>\$ 1,304,273</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2020

Expressed in thousands of NTD

Creditor	Description	Balance, December 31, 2020	Contract Period	Interest rate	Collateral	Note
Chang Hwa Commercial Bank	Unsecured loan	\$ 200,000	2018.12~2020.12	2.57%	No	Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date (December 17, 2020).
Taiwan Cooperative Bank	Secured loan	212,260	2020.09~2025.09	2.57%	Land, buildings and structures	Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.
Chang Hwa Commercial Bank	Secured loan	<u>134,680</u>	2020.09~2025.09	2.57%	Land, buildings and structures	Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to September 30, 2025.
		546,940				
Less: Current portion		<u>( 228,912)</u>				
		<u>\$ 318,028</u>				

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Please refer to Note 6(17).

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

STATEMENT OF COST OF SALES

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Amount
Raw materials, beginning of year	\$ 1,114,114
Add: Purchase in the period	7,222,771
Transferred from work in process	40,695
Less: Transferred to expenses	( 282,613)
Sales of raw materials	( 59,204)
Scrapping of raw materials	( 2,923)
Raw materials, end of year	( 1,162,067)
Consumption of raw materials	6,870,773
Direct Labor	446,812
Manufacturing expenses	1,623,960
Manufacturing cost	8,941,545
Work in process, beginning of year	530,374
Add: Transferred from finished goods	126,485
Less: Transferred to raw materials	( 40,695)
Transferred to expenses	( 7,159)
Sales of work in process	( 1,897)
Work in process, end of year	( 519,708)
Cost of finished goods	9,028,945
Finished goods, beginning of year	532,547
Add: Purchase in the period	70,250
Less: Transferred to work in process	( 126,485)
Scrapping of finished goods	( 9,997)
Transferred to expenses	( 4,747)
Finished goods, end of year	( 478,125)
Cost of goods manufactured and sold	9,012,388
Other operating cost - sale of raw materials	59,204
Other operating cost - sale of work in process	1,897
Revenue from sale of scraps	( 59,924)
Reversal of inventory write-down	( 279,949)
Loss on disposal of inventories	12,920
Cost of sales	\$ 8,746,536

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

STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Depreciation expense		\$ 311,535	
Indirect material		331,457	
Utilities expense		202,447	
Wages and salaries		177,668	
Others (minor amount less than 5%)		<u>600,853</u>	
		<u>\$ 1,623,960</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF SELLING AND MARKETING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export expenses		\$ 42,536	
Wages and salaries		27,970	
Freight expenses		5,145	
Insurance expenses		5,289	
Others (minor amount less than 5%)		<u>15,765</u>	
		<u>\$ 96,705</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 85,309	
Service fee		24,627	
Taxes		12,194	
Others (minor amount less than 5%)		<u>54,854</u>	
		<u>\$ 176,984</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION  
(FORMERLY CHI MEI MATERIALS TECHNOLOGY CORPORATION)  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Test and research expense		\$ 83,458	
Wages and salaries		47,960	
Utilities expense		8,913	
Others (minor amount less than 5%)		<u>28,499</u>	
		<u>\$ 168,830</u>	

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

STATEMENT OF FINANCE COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Please refer to Note 6(21).

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

STATEMENT OF CURRENT EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES SUMMARIZED BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

Expressed in thousands of NTD

Classification	Year ended December 31, 2020			Year ended December 31, 2019		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefit expenses	\$ 742,897	\$ 181,161	\$ 924,058	\$ 709,955	\$ 158,384	\$ 868,339
Wages and salaries	595,912	147,846	743,758	563,150	122,477	685,627
Labor and health insurance fees	59,221	10,992	70,213	60,757	11,239	71,996
Pension costs	28,568	7,383	35,951	29,455	6,128	35,583
Board compensation	-	6,010	6,010	-	6,685	6,685
Others	59,196	8,930	68,126	56,593	11,855	68,448
Depreciation expenses	311,535	12,070	323,605	365,453	15,818	381,271
Amortization expenses	547	6,325	6,872	3,024	10,961	13,985

Note 1: For the years ended December 31, 2020 and 2019, the average numbers of employees of the Company were 1,102 and 1,134, respectively, there were 4 non-employee directors for both years.

Note 2: (1) The average employee benefit expense in the current year and prior year were \$836 and \$763, respectively.

(2) The average employee wages and salaries in the current year and prior year were \$677 and \$607, respectively.

(3) Changes in adjustments on average wages and salaries was 11.53%.

Note 3: The Company has set up audit committee to replace the supervisor in accordance with the regulations, therefore the supervisor's remuneration has not been recognised.

Note 4: The Company's remuneration policies:

Directors' remuneration is comprised of reward and remuneration. Reward of directors is determined based on the Company's assumption of risk, market standard and operating requirement. Remuneration of directors shall be distributed no higher than 1% based on Article 25 of the Company's Articles of Incorporation. Managers' remuneration is paid based on the internal salary policy which referred to external reports of salary adjustment, the Company's operating performance, internal hierarchy and market pay level. The determination of individual remuneration was taken into consideration job responsibility, operating contribution and comprehensive resources. The Company also made remuneration and performance assessment policies.

Cheng Mei Materials Technology Corporation

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					balance during the year ended December 31, 2020	December 31, 2020							Item	Value			
0	Cheng Mei Materials Technology Co., Ltd.	CM Visual Technology Corporation	Other receivables - related parties	Yes	\$ 85,000	\$ -	\$ -	2.50%	Shot-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 962,162	\$ 3,848,646	Notes 2
0	Cheng Mei Materials Technology Co., Ltd.	Hengmei Optoelectronic Co., Ltd.	Other receivables - related parties	Yes	584,307	-	-	-	Business relationship	4,376	-	-	None	-	4,376	962,162	Notes 2, 4
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Hengmei Optoelectronic Co., Ltd.	Other receivables - related parties	Yes	256,617	-	-	-	Business relationship	50	-	-	None	-	50	409,584	Notes 3, 4
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	27,056	27,056	27,056	2.97%	Shot-term financing	-	Operating capital	-	None	-	962,162	1,924,323	Notes 5

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

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Company's "Procedures for Provision of Loans", when nature of the loan is related to short-term financing, the ceiling on total loans granted shall no more than 40% of net assets in the latest financial statements of the Company, limit on loans to a single party ceiling on total loans is 10% of the Company's net assets. When nature of the loan is related to business transactions, the ceiling on total loans granted shall no more than 10% of net assets in the latest financial statements of the Company; the limit on loans granted to a single party shall no more than the amount of business transactions occurred between the creditor and borrower in the latest year.

Note 3: According to the Ningbo Cheng Mei Materials Technology Co., Ltd.'s "Procedures for Provision of Loans", when nature of the loan is related to business transactions, the ceiling on total loans granted shall no more than 40% of net assets in the latest financial statements of the Ningbo Cheng Mei Materials Technology Co., Ltd.; the limit on loans granted to a single party shall no more than the amount of business transactions occurred between the creditor and borrower in the latest year.

Note 4: The amount is the accounts receivable due from related parties that is past due a certain period of time over the normal credit term and is the other receivables transferred from loans granted based on the assessment.

Note 5: According to the Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of group's parent company. The limit on loans granted to a single party is 10% of net assets of the group's parent company.

Cheng Mei Materials Technology Corporation  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name													
0	Cheng Mei Materials Technology Corporation	Hengmei Optoelectronic Co., Ltd.		6	\$ 4,810,808	\$ 3,502,344	\$ 3,502,344	\$ 2,364,136	\$ -	36.40%	\$ 9,621,616	N	N	Y	Note 3,4,5

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

(1) The Company is '0'

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

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

(1) Having business relationship.

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

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

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

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

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

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

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

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

Note 5: The Company's endorsement/guarantee amount to Hengmei Optoelectronic Co., Ltd. is calculated based on the shareholding ratio at the time of endorsement/guarantee provided. Because Hengmei Optoelectronic Co., Ltd. increased its capital in cash and the Group did not participate in the capital increase proportionately to ownership, the Company's shareholding ratio was decreased. The Company thereby entered into a credit counter-guarantee agreement with Hangzhou Jinjiang Group Co., Ltd. With regard to the amount of endorsement/guarantee provided by the Company to Hengmei Optoelectronic Co., Ltd., Hangzhou Jinjiang Group Co., Ltd. agreed to provide the counter-guarantee for the amount exceeding the Company's current shareholding ratio and ensure that Hengmei Optoelectronic Co., Ltd. will repay the main loan based on the repayment schedule.

Cheng Mei Materials Technology Corporation

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

December 31, 2020

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 127,111	6.41%	\$ 127,111	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	5,821	Note	5,821	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	7,917	Note	7,917	-

Note: The shareholding ratio is less than 5% and therefore will not be disclosed.

Cheng Mei Materials Technology Corporation

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 2,977,950)	(34%)	-	-	-	\$ 415,399	20%	Note 1	
Cheng Mei Materials Technology Co., Ltd.	Innolux Corporation	Related party	Sales	( 904,143)	(10%)	-	-	-	-	-	Note 2	
Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	( 320,554)	(4%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Optoelectronics Ltd.	Related party	Sales	( 482,633)	(13%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Related party	Sales	( 128,678)	(4%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Ningbo Innolux Display Ltd.	Related party	Sales	( 110,030)	(3%)	-	-	-	-	-	Note 2	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Parent	Sales	( 132,911)	(2%)	-	-	-	25,682	2%	Note 1	

Note 1: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.

The eliminated amount for the year ended December 31, 2020 was \$92,439.

Note 2: It has not been a related party of the Group since May 6, 2020.

Cheng Mei Materials Technology Corporation

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2020

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Accounts receivable \$ 415,399	6.77	\$ -	-	\$ 210,625	\$ -

Cheng Mei Materials Technology Corporation  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD

Details of significant inter-company transactions reaching NT\$ 10 million or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 2,977,950	-	31%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	415,399	-	3%
0	Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	1	Sales	60,110	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	132,911	-	1%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	25,682	-	-
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Other receivables	27,056	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:Prices and terms were determined in accordance with mutual agreements.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Cheng Mei Materials Technology Corporation

Information on investees (not including investees in Mainland China)

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,023,722	\$ 210,235	\$ 210,235	Note 1
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	205,000	6,638	22.96%	66,115 (	43,717) (	34,347)	Note 1
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	3,881,286	178,658	178,658	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	5,000	15,187	100%	18,847 (	3,529) (	3,529)	Note 1
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	5,000	21,100	100%	48,798 (	2,762) (	2,762)	Note 1
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	954 (	43,717)	Note 2	Note 1
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	26,961 (	1,407)	Note 2	Note 1

Note 1: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 2: According to the regulations, the amount recognised for investment profit or loss of the Company could be exempt from disclosure.

Cheng Mei Materials Technology Corporation  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from		Accumulated	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2020	Taiwan for the year ended December 31, 2020		amount of remittance from Taiwan to Mainland China as of December 31, 2020					amount of investment income remitted back to Taiwan as of December 31, 2020	
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 577,526	2	\$ 378,784	\$ -	\$ -	\$ 378,784	\$ 210,235	100.00	\$ 210,235	\$ 1,023,960	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	11,052,609	2	4,172,320	-	-	4,172,320	465,256	38.40	178,658	3,881,549	-	Note 2
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	28,480	2	28,480	-	-	28,480	( 1,076)	100.00	( 1,076)	-	-	Note 2, 3
<u>Company name</u>	<u>as of December 31, 2020</u>	<u>Economic Affairs (MOEA)</u>	<u>Commission of Investment MOEA(Note 5)</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 5)</u>							
Cheng Mei Materials Technology Corporation	\$4,579,584	\$4,579,584	\$5,772,970										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China..

(2) Through investing in Cheng Mei Materials Technology (Samoa) Corporation, Chi Mei Materials Technology Investment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 3: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 4: The numbers in this table are expressed in New Taiwan dollars. Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates of NTD 29.55 to US\$1 from January 1, 2020 to December 31, 2020, otherwise are re-translated at the exchange rates of NTD 28.48 to US\$1 prevailing at the end of the financial reporting period.

Note 5: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,977,950	35%	\$ -	-	\$ 415,399	20%	\$ -	-	\$ -	-	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	( 132,911)	2%	-	-	( 25,682)	2%	-	-	-	-	-	-	-

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd. The eliminated amount for the year ended December 31, 2020 was \$92,439.

Cheng Mei Materials Technology Corporation

Major shareholders information

December 31, 2020

Table 10

Name of major shareholders	Name of shares held	Shares	
		Ownership (%)	Express in shares
Far Eastern International Bank entrusted with the custody of Munsun Capital Taiwan's investment in new materials		59,271,760	8.90%
Innolux Corporation		57,211,305	8.59%

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

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.