

CMMT

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION

(Formerly known as CHI MEI MATERIALS TECHNOLOGY CORPORATION)

Handbook of 2021 Annual General Meeting

TWSE 4960

Date: April 30, 2021, 9AM

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

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Cheng Mei Materials Technology Corp.
2021 Annual General Meeting Procedures

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CHENG MEI MATERIALS TECHNOLOGY CORP.

2021 Annual General Meeting Agenda

Time: 9:00 a.m., April 30, 2021

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

1. The Chairman Calls the Meeting to order
2. Chairman's Remark
3. Report Items
 - (1) 2020 business report.
 - (2) 2020 Audit Committee's Review Report.
 - (3) Status report of the resolution of the shareholders' meeting of the Company in 2020 of conducting the issuance of common shares through private placement, the issuance of new common shares through Global Depositary Receipt, the issuance of overseas, or domestic convertible bonds.
 - (4) Inspection status report of shareholder's proposal in 2020 Annual General meeting.
 - (5) Amendment report of Guidelines for the Adoption of Codes of Ethical Conduct for the directors, supervisors, and managerial officers
 - (6) Report of the cause of exclusion of shareholder's proposal and explanation.
4. Ratification Items
 - (1) 2020 Business Report & Financial Statements Report.
 - (2) 2020 Appropriation of profit & loss.
5. Discussion Items
 - (1) To amend the Company's Articles of Incorporation
 - (2) To amend the Rules and Procedures of shareholders' meeting
 - (3) To amend Procedures for Acquisition or Disposal of Assets
 - (4) To amend Procedure for Transactions between Enterprise Groups, Specific Companies and Related Parties
 - (5) To conduct the issuance of Restricted Stock Awards (RSA) for employees
6. Election items :
 - (1) Election of the Company's 8th term directors
7. Other items :
 - (1) Removal of the non-competing duty for directors
8. Extemporaneous Motions
9. Meeting Adjourned

Report Items

Item 1. 2020 business report.

Explanatory note: Please refer to Attachment 1

Item 2. 2020 Audit Committee's Review Report.

Explanatory note: Please refer to Attachment 2

Item 3. Status report of the resolution of the shareholders' meeting of the Company in 2020 of conducting the issuance of common shares through private placement, the issuance of new common shares through Global Depositary Receipt, the issuance of overseas, or domestic convertible bonds.

Explanatory note:

1. In seeking of joint development of polarizer-related technologies and opportunities in strategic alliance with domestic or foreign industry players, and also for raising working capital for the company to meet future demands from market growth, the annual general meeting of the company on April, 30 2020, approved to authorize the board of director of the company to raise capital through various financial vehicles including public offering or private placement depending on market environments to render the power of determining the actual issuing price, and the issuing amount of common shares for conversion within the range of less than the aggregated amount of 200,000,000 shares.
2. In consideration of the circumstance of current capital market, on January 29, 2021, the board of directors meeting resolved not to continue the aforementioned motion.

Item 4. Inspection status report of shareholder's proposal in 2020 Annual General Meeting

Explanatory note:

Regarding to the shareholder's proposal in 2020 Annual general meeting, the company has appointed Ms HZ, Ho as the inspector to conduct Inspection, and has been reported to the board of directors on March 12, 2021. Please refer to the Attachment 3.

Item 5. Amendment report of Guidelines for the Adoption of Codes of Ethical Conduct for the directors, supervisors, and managerial officers

Explanatory note: Please refer to the Attachment 4.

Item 6. Report of the cause of exclusion of shareholder's proposal and explanation.

Explanatory note:

1. During submission period of shareholder proposal, (Feb 19, 2021 ~ March 2, 2021), the company received one proposal: To appoint an inspector to conduct inspection of chairman Ho's compensation.
2. Due to the shareholder does not hold at least 1% of the outstanding shares during the submission period; therefore, the proposal is not submitted.

Ratification Items

Item 1. 2020 Business Report & Financial Statements Report. (Proposed by the Board of Directors)

Explanatory note :

1. The Company's 2020 annual individual and consolidated financial statements, including the Balance Sheet, Comprehensive Income Statement, Statement of Changes in Equity, and Statement of Cash Flows, have been completed and are commissioned to Independent Auditors Liu, Zhi-Meng and Wu, Jian-Zhi from Pierce Water Coopers Taiwan to review and to issue relevant Audit Reports.
2. Please refer to Attachments for the Business Report, Audit Reports issued by Independent Auditors, and the financial statements of the company. Please refer to the Attachment 1&5
3. Please Recognize and Ratify

Resolution :

Item 2: 2020 Appropriation of profit & loss. (Proposed by the Board of Directors)

Explanatory Note :

1. The net loss in 2020 is NTD 85,555,053 and the Board proposes not to issue shareholder dividends.

CHENG MEI MATERIALS TECHNOLOGY CORP.
2020 Appropriation of Profit & Loss

In New Taiwan Dollars	
Items	Amount
The initial unappropriated retained earnings	\$972,326,693
Current net (loss) profits (EPS-0.13/share)	(85,555,053)
Determination of a 10% mandatory reserve	0
Determination of a special reserve (note) other	53,495,625
Current distributable profits	940,267,265
Items to be allocated	
Shareholders' cash dividend	0
	<hr/>
The end unappropriated retained earnings	\$ 940,267,265 =====

Note: The accumulated balances of the "Exchange Differences on Translation of Foreign Financial Statements" and "Unrealized Gain or Loss on Available-for-sale Financial Assets" have booked the reduction of shareholders' rights and determined a special reserve of NTD 53,495,625.

Chairman : Jau-Yang Ho

President : Lai-Huang Lo

Accounting Officer : Wei-Chung Lian

2. Please recognize and ratify.

Resolution :

Discussion Items

Item 1: To amend the Company's Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Note :

1. For the necessity of the business operation, the company proposes to amend the Company's Articles of Incorporation
2. Comparison Table for Articles of Incorporation, please refer to attachment 6.
3. Submitted for discussion.

Resolution :

Item 2: To amend the Rules and Procedures of shareholders' meeting (Proposed by the Board of Directors)

Explanatory Note :

1. For the necessity of the business operation, the company proposes to amend the Rules and Procedures of shareholders' meeting.
2. Comparison Table for the Rules and Procedures of shareholders' meeting, please refer to attachment 7.
3. Submitted for discussion.

Resolution :

Item 3: To amend the Procedures for Acquisition or Disposal of Assets (Proposed by the Board of Directors)

Explanatory Note :

1. For the necessity of the business operation, the company proposes to amend the Procedures for Acquisition or Disposal of Assets.
2. Comparison Table for the Procedures for Acquisition or Disposal of Assets, please refer to attachment 8.
3. Submitted for discussion.

Resolution :

Item 4: To amend Procedure for Transactions between Enterprise Groups, Specific Companies and Related Parties

(Proposed by the Board of Directors)

Explanatory Note :

1. For the necessity of the business operation, the company proposes to amend

Procedure for Transactions between Enterprise Groups, Specific Companies and Related Parties.

2. Comparison Table for Procedure for Transactions between Enterprise Groups, Specific Companies and Related Parties, please refer to attachment 9.
3. Submitted for discussion.

Resolution :

Item 5: To conduct the issuance of Restricted Stock Awards (RSA) for employees.

(Proposed by the Board of Directors)

Explanatory Note :

1. To attract and retain the talents required by the company, to motivate employees and to enhance employee co-ordination so as to jointly create the interests of the company and shareholders, the Company plans to stipulate 2021 Issuing Measurement of Restricted Stock Awards for employees (hereinafter referred to as “the Measurement”) in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. Please refer to attachment 10.

2. The details of the Restricted Stock Awards (RSA) for employees planned to be issued are as follows:

(1) Estimated issuing price: The shares are issued at the price of NT\$0 per share, and are granting to selected employees at no cost.

(2) Total amounts (shares) of issuance: The par value per share is NT\$10, a total amount of 20,000,000 common shares will be issued. Based on actual needs, shares can be issued at once or separately during the one-year period starting from the date when the application is ratified by regulator and comes into force to the termination date of the ratification. The actual issuing date shall be decided by the chairman authorized by the Board.

3. Vesting conditions:

(1) Vesting conditions: The selected employees who have been granted Restricted Stock Awards in compliance with the Measurement, continued to work on the following vested terms from the record date of grant (the record date of cash capital increase), and had met the performance criteria will receive new shares respectively on the basis of the following schedule and the proportion of shares subscribed.

	performance criteria			
seniority	A+	A	B+	B and below
6 months after granting	10%	80% of 10%	50% of 10%	0
1 year after granting	20%	80% of 20%	50% of 20%	0

2 years after granting	30%	80% of 30%	50% of 30%	0
3 years after granting	40%	80% of 40%	50% of 40%	0

(2) Issued Item : Common Stock

(3) Restricted rights before employees meet the vesting conditions:

- (a) Before the vesting conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of RSA that they subscribe to in accordance with the Measurement.
- (b) During the vesting period, the RSA can participate in a distribution of share or cash dividends.
- (c) During the vesting period, if the company carry out a capital reduction, RSA will be cancelled proportionally. If the capital reduction is done by cash return, the returned cash should be kept under company's custody, and be paid to the employees upon vesting condition is fulfilled; if the employee does not meet the vesting condition, all shares the employees subscribed in accordance with the Measurement shall be bought back by the company based on the original subscription price and cancel accordingly.
- (d) The RSA shall be delivered to the trust immediately after issuance. Employees may not ask the trustee to return the RSA for any reasons or by any method prior to the fulfillment of vesting conditions.
- (e) Before the vesting conditions are fulfilled, an employee violate article 5-8 of the Measurement or termination the contract, such shares will be repurchased by the Company without compensation.
- (f) Before the vesting conditions are fulfilled, the attendance, proposals, speeches, voting rights and other relevant shareholders' rights and interests of the company's shareholders' meeting were all entrusted to the trust to exercise.

4. Qualification requirements for employees:

- (1). Qualification criteria for employees: Official Employees starts working before the record date of grant.
- (2). The grant of RSA will be based on seniority, job level, position, job performance, overall contribution, special achievement or other conditions required as the basis for management. The number of shares granted shall be approved by the Chairman and submitted to the Board of Directors for resolution. Any employee who holds a managerial position shall be subject to the approval of the Remuneration Committee.
- (3) The company issued the employee stock option certificate in accordance with the first paragraph of Article 56(1) of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers that cumulative number of shares subscribed by the single option holder, and the total amount of RSA obtained by the accumulative shareholder shall not exceed 0.3% of the total number of the issued shares. Also, in accordance with the first paragraph of Article 56(1) of the Regulations Governing the Offering and Issuance of Securities by Securities

Issuers, the company issued the employee stock option certificate subscribed by the single option holder shall not exceed 1% of the total number of the issued shares. However, if it is approved by the regulator, the total amount of a single employee's share option certificate and RSA may not be limited by the percentage of issued shares as mentioned above.

5. To attract and retain the talents required by the company, to motivate employees and to enhance employee co-ordination so as to jointly create the interests of the company and shareholders.

6. Calculated expense, dilution of EPS and other factors affecting shareholder's equity and other factors affecting shareholder's equity:

(1) Calculated expense :

The Company shall measure the fair value of the shares on the record date of grant and recognize the related expenses by year during the vesting period. Under the circumstance where all the vesting conditions have been met, the total estimated calculated expense at NT\$11.6, the closing price of the Company's common stock on March 3, 2021, is NT\$232,000 thousand. The estimated calculated expense for 2021 to 2024 respectively are NTD 80,342 thousand, NTD 88,488 thousand, NTD 48,000 thousand, and NTD 15,170 thousand.

(2) Dilution of EPS and other factors affecting shareholder's equity :

Calculated on the basis of 665,728,500, the number of the Company's outstanding common shares on March 3, 2021, the dilution on Company's EPS is estimated in the amount of NTD 0.12, NTD 0.13, and NTD 0.07, and NTD 0.02 for 2021 to 2024, respectively.

(3) Other matters affecting shareholder's equity: No significant impact

7. Please refer to the measurement for more details.

8. Any other matters that need to be specified:

(1) This measurement was approved by over 1/2 votes out of higher than 2/3 attendance rate. Hereafter, in case of the need to make amendments due to changes in the decree or request of the competent authority to audit, the Chairman will be authorized to amend the Measurement, and then he would issue the approval of Board of Directors.

(2) If there are any unfinished matters in this Measurement, except as otherwise provided in the Act, the full powers of the Board of Directors or its authorized persons shall be revised or implemented in accordance with the relevant laws and regulations. ◦

9. Submitted for discussion.

Resolution :

Election Items

Item 1: Election of the Company's 8th term directors (Proposed by the Board of Directors)

Explanatory note:

1. Pursuant to the Article 15 and the Article 15-1 of the Articles of Incorporation. The Company shall have five (5) to nine (9) directors to be elected at the shareholders meeting through candidates nominating system from the nominees listed to serve a term of three years
2. INED Chen and Director Liu of the company were resigned on March 17, 2020, and May 6, 2020, currently the number of vacancies in the Board of directors shall be elected in the coming shareholders meeting.
3. Due to the rapid change in TFT-LCD industry, changes in shareholder structure and current term of board of directors will be expired next year. In order to strengthen the governance of board of directors and shareholders' interests. It is proposed to re-elect directors in advance this year.
4. The candidates must be nominated through a nomination process. 9 directors including 3 independent directors will be elected in this shareholders' Meeting.
5. The term of the new board of directors will be 3 years, started from April 30, 2021 to April 29, 2024. The term of the current board of directors will be ended when the new board of directors are elected at the Annual General Meeting.
6. The nominated candidates were approved by the Board of directors meeting on March 12, 2021:

Type	Name of the nominee	Education	Experiences	Current occupation	Shareholding
Director	Jau-Yang Ho	BSc in Chemical Engineering, National Cheng Kung University.	(1) Vice Chairman, CMO. (2) President, CMO. (3) President, CMC.	Chairman, CMMT	4,865,313 shares
Director	Lai -Huang Lo	Master in Business Administration, Manchester University, UK.	(1) Acting President, CMMT. (2) Acting President, KSCMMT. (3) INED, CMMT. (4) General Manager, Anderson Group (5) VP of Operation, PARPRO. (6) VP and CFO, E-TON	President, CMMT	1,285,126 shares

Type	Name of the nominee	Education	Experiences	Current occupation	Shareholding
			Solar Corp.		
Director	Ever Fortunes International Investment Co., Ltd Representative : Wei-Lun Lu	Ph.D. in Electrical Engineering, National Cheng Kung University.	(1)President, Beyond PV Co., Ltd. (2)Manager, Motech Industries Inc.	Chairman, Enernova Intl Corp.	60,000 shares
Director	Abraham Investment Co., Ltd Representative : Chi-Wen Chen	(1)Ph.D. in Business Administration, Fu Jen Catholic University. (2)Ph.D. in Sports Management, National Taiwan Sport University.	(1) Supervisor, MAX ZIPPER Co. Ltd. (3) Chairman, Yihong Biotechnology Co.,Ltd. (4) INED, Pihsiang Machinery MFG. Co. Ltd.	Assistant professor, Master of Global Entrepreneurial Management Program, Fu Jen Catholic University.	50,000 shares
Director	Four Season's Logistics Services Intl Corp. Representative : Jian-Fu Gan	Bachelor in Accounting, Soochow University.	Chairman, Taiwan Steel & Mining Corp.	Chairman, Taiwan Steel & Mining Corp.	2,855,000 shares
Director	Yen Wen Asset Management Consultant Co., Ltd. Representative : Cheng-Yun Hsieh	Master in Finance University of Reading, UK.	(1) Senior manager, Mega Securities Co., Ltd.	President, Yen Wen Asset Management. Consultant Co., Ltd.	200,000 shares
Independent Director	Wei-Ting Liu	EMBA, National Taiwan University. Ph.D. program, China University of Political Science and Law. Master of Law, National Chung Cheng University Bachelor of Law, National Chung Cheng University	Judicial Officer Level-4 Exam passed, and has served as a clerk at Taiwan Shihlin District Court.	(1) INED, CMMT. (2) Managing Attorney and Chairman, TaipeiLaw Attorneys-at-Law. (3) Director, TaipeiLaw Attorneys-at-Law. (4) Supervisor, TOA - JET CHEMICAL CO., LTD. (5) Arbitrator of the Chinese Arbitration Association Taipei. (6)Patent Attorney	0 share

Type	Name of the nominee	Education	Experiences	Current occupation	Shareholding
				(7) Attorney-at-Law	
Independent Director	Kuo- Shih Huang	Master, The Graduate Institute of Accounting, National Taiwan University	(1)Partner, Price water house Coopers. (2)Partner, Baker Tilly Clock & Co. (3) CPA	(1) INED, CMMT. (2)Partner, Kang Chu accounting firm. (3)INED, Better Life Group Co., LTD. (4) INED, G-TECH Optoelectronics Corporation. (5)INED, SHUTTLE INC. (6)Supervisor, Ways Technical Corp., LTD	0 share
Independent Director	Juu-En Chang	Ph.D., Civil Engineering, Tohoku University	(1)Director, Sustainable Environment Research Center, National Cheng Kung University. (2)President, the Formosa Association of Resource Recycling. (3)Director, Sustainable Environment Research Center, National Cheng Kung University. (4)Minister/Deputy Minister, Environmental Protection Administration. (5) President, Chinese Institute of Environmental Engineering. (6)Associate Dean, College of Engineering, National Cheng Kung University. (7)CEO, NCKU Research and Development Foundation.	(1)INED, Cleanaway Company Limited. (2)INED, Green River Holding Co., Ltd.	0 share

7. Independent director Wei-Ting Liu has been served as an independent director of the company for three consecutive terms. Because the legal expertise he has and has been familiar with the company's business model, it is believed that he has an independent and objective point of views to provide valuable advice and perform supervision functions. Therefore Independent director Liu is in the candidate list of the company.

8. Please conduct the election accordingly

The result of the election:

Other items

Item1: Removal of the non-competing duty for directors

(Proposed by the Board of Directors)

Explanatory Note :

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

Type	Name	Competing occupations
Director	Jau-Yang Ho	(1) Director, CMVT (2) Director, NBCMMT (3) Director, HMO (4) Director, Chi Mei Materials Tech Investment Co. Ltd. (5) Chairman, Cheng Hui investment Co. Ltd. (6) Chairman, Cheng Huei Trading Co. Ltd. (7) Director, Cheng Mei Materials Tech (Samoa) Co. Ltd.
Director	Lai-Huang Lo	(1) Director, HMO (2) President, NBCMMT
Director: Ever Fortunes International Investment Co., Ltd Representative	Wei-Lun Lu	(1) Chairman, Enernova Intl Corp.

Director: Abraham Investment Co., Ltd Representative	Chi-Wen Chen	(1)Supervisor, Yongzan Development Investment Co., Ltd. (2)Director, SULDE strategic Co. Ltd. (3)Director, Joyfam capital Co. Ltd. (4)Chairman, Depu World Investment Management Consulting Co., Ltd. (5)Chairman, Defeng World Investment Management Consulting Co., Ltd (6)Director, Taipei Ningbo economic foundation
Director: Four Season's Logistics Services Intl Corp Representative	Jian-Fu Gan	(1) Chairman, Taiwan Steel & Mining Corp.
Director: Yen Wen Asset Management Consultant Co., Ltd. Representative	Cheng-Yun Hsieh	(1) Director, Yen Wen Asset Management Consultant Co., Ltd. (2)Director, Shiny Brand Goup Co., Ltd (3)Director, Starry Biocenology Co. Ltd. (4)Director, Chyunn Environment Corp. (5)Director, BioRay Biotech Co., Ltd. (6)Supervisor, Juxing Cultural and Creative Entertainment Co., Ltd.
Independent Director	Wei-Ting Liu	(1)Supervisor, TOA - JET Chemical Co. Ltd. (2)Managing Attorney and Chairman, TaipeiLaw Attorneys-at-Law. (3)Director, TaipeiLaw Attorneys-at-Law.
Independent Director	Kuo- Shih Huang	(1) INED, G-TECH Optoelectronics Corporation. (2) INED, Better Life Group Co., Ltd. (3) INED, Shuttle Inc. (4) Chairman, Kang Chu accounting firm. (5) Supervisor, WS FAR IR Medical Technology
Independent Director	Juu-En Chang	(1)INED, Cleanaway Company Limited. (2)INED, Green River Holding Co., Ltd.

4. Submitted for discussion.

Resolution :

Extemporaneous Motions

Meeting Adjourned

【2020 Business Report】

Dear Shareholders,

While the COVID-19 outbreak impacted the world in 2019, the pandemic 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, the demand for emerging 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. We will persist on accelerating the development of new customers while optimizing products and customer portfolios to stabilize our operations and improve 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 optimistic 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 in losses. The second half of 2020, the Company has turned a loss into profit, back on track of revenue growth.

CMMT executed the following 4 operating policies and the Implementation results are:

I. Promoted existing products to new customers, continuing to increase customer dispersion

Implementation result: In 2019, 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, we have also completed the delivery of samples to our Chinese customers, and increased the volume since 2021. In 2019, we have completed the delivery of samples of OLED products to our Chinese customers, and are 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: As the continuous volume demand of new customers, the revenue of large-sized TVs has increased significantly. In line with the demand from customers' high-end products, the Company has accelerated the introduction of low-water vapor permeability materials.

IV. Insisted on eliminating bottlenecks to improve the process of 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	-14.88
Net operating loss ratio	-2.85	-3.02	-5.65

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 our full capacity, we 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. We will also continue to increase the proportion of high profitability products, and continue to introduce hydrophobic materials. As for

our IT products, due to the pandemic outbreak, the home office market and education market grew, increasing the demand for IT panels. In 2021, we will dedicate ourselves to promoting our existing products to new customers. Due to the pandemic outbreak and the demand of high-end cell phones (FHD/OLED) entering the plateau period, the price for our small and medium-sized products has become increasingly fierce. In 2021, we will focus on increasing the proportion of high-end products, laying out the plan for the rebound of the cell phone market in 2022.

Benefited by the increasing number of new customers, the size of our sales has been gradually growing so as our capacity utilization rate. Meanwhile, through equipment renovation and technology refinement, we will also do our 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 for panel market will continue from 2021 to 2017, primarily benefiting from a) the increasing 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 increasing 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 the increase 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, we, at CMMT will concentrate on sales diversification and production optimization to strengthen our competitiveness in a bid to respond to the highly competitive environment.

At CMMT, we have 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”. We have always been committed to building a friendly workplace for our 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: Jau-Yang Ho

President: Lai-Huang Lo

Accounting Officer : Wei-Chung Lian

Date: March 12, 2021

Cheng Mei Materials Technology Corporation Audit Committee's Review Report

The Board of Directors has made and reported the Company's 2020 financial statement, the business report, and the plan of appropriation of profit and loss. The Audit Committee found no discrepancy between the reported documents and facts after verifying. The Audit Committee hereby produced and sent forth the report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: Cheng Mei Materials Technology Corp. 2021 Annual General Meeting

Independent Director: Wei-Ting Liu

Independent Director: Kuo-Shih Huang

March 25, 2021

Essence of examination report in response to the motion proposed in the Company's 2020 Annual General Meeting.

Re: The Company submits to the shareholder meeting the essence of the examination report on the issues of whether the former INED Mr. Yan-Song Chen and the former CFO Wen-Jin Chen breached their fiduciary duties.

1. The Company received the examination report on whether the former INED Mr. Yan-Song Chen and the former CFO Wen-Jin Chen breached their fiduciary duties, and summarizing the essence from the report hereafter.
2. The former INED Mr. Yan-Song Chen was likely to breach the duty of impartiality and of independency owing to referring Mr. Wen-Jing Chen as the CFO of the Company.
3. The former INED Mr. Yan-Song Chen's impartiality and of independency seems to be compromised when evaluating the reasonableness of the private placement for KSCMMT.
4. On 29 November 2019, The former CFO Mr. Wen-Jin Chen was likely to breach his duty of care as well as the fiduciary duty when signing or determining to sign the financial leasing contract (Contract number TL2019113170001) with the ibtleasing Co.,Ltd.
5. The Company and it's legal counsel will conduct further evaluation on whether legal proceeding should be taken in consideration of the Company's operation, shareholders' interests as well as the economic benefits.

Comparison Table for Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managerial Officers

Provision	Before Amendment	Amendment	Description
Name of Regulations	Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managerial Officers	Guidelines for the Adoption of Codes of Ethical Conduct for Directors,- Supervisors and Managerial Officers	Amendment of the name and deletion of “supervisor”
Article 1	Purpose of and basis for adoption In recognition of the necessity to assist the companies in Taiwan in their establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, supervisors, and managerial officers of TWSE listed and TPEX listed companies (including presidents or their equivalents, deputy presidents or their equivalents, deputy assistant general managers or their equivalents, plant directors and their equivalents , chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of such companies.	Purpose of and basis for adoption In recognition of the necessity to assist the companies in Taiwan in their establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, supervisors , and managerial officers of TWSE listed and TPEX listed companies (including presidents or their equivalents, deputy presidents or their equivalents, deputy assistant general managers or their equivalents, plant directors and their equivalents , chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of such companies.	Practical operational needs
Article 2 Paragraph 1 Subparagraph 1	Content (I) Prevention of conflict of interest. 1. A conflict of interest occurs when an individual's personal interests interfere or have interfered with the overall interests of a company. For example: when a director, supervisor, or managerial officer of the company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. 2. The company shall pay special attention to the loaning of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods	Content (I) Prevention of conflict of interest. 1. A conflict of interest occurs when an individual's personal interests interfere or have interfered with the overall interests of a company. For example: when a director, supervisor , or managerial officer of the company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third- second degree of kinship. 2. The company shall pay special attention to the loaning of funds, provisions of guarantees, and major	Practical operational needs

	<p>involving the affiliated enterprise and the aforementioned personnel.</p> <p>3. The company shall establish a policy to prevent conflicts of interest, and shall offer provide means to directors, supervisors, and managerial officers to voluntarily explain whether there is any potential conflict between them and the company.</p>	<p>asset transactions or the purchase (or sale) of goods involving the affiliated enterprise and the aforementioned personnel.</p> <p>3. The company shall establish a policy to prevent conflicts of interest, and shall offer provide means to directors, supervisors, and managerial officers to voluntarily explain whether there is any potential conflict between them and the company.</p>	
<p>Article 2 Paragraph 1 Subparagraph 2</p>	<p>(II) Minimizing incentives to pursue personal gain: The company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities:</p> <ol style="list-style-type: none"> 1. seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions; 2. obtaining personal gain by using company property or information or taking advantage of their positions; and 3. Competing with the company. When the company has an opportunity for profit, it is the responsibility of the directors, supervisors, and managerial officers to maximize the reasonable and proper benefits that can be obtained by the company. 	<p>(II) Minimizing incentives to pursue personal gain: The company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities:</p> <ol style="list-style-type: none"> 1. seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions; 2. obtaining personal gain by using company property or information or taking advantage of their positions; and 3. Competing with the company. When the company has an opportunity for profit, it is the responsibility of the directors, supervisors, and managerial officers to maximize the reasonable and proper benefits that can be obtained by the company. 	<p>Practical operational needs</p>
<p>Article 2 Paragraph 1 Subparagraph 3</p>	<p>(III) Confidentiality:</p> <ol style="list-style-type: none"> 1. The directors, supervisors, and managerial officers of the company shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information. <p>(omitted below)</p>	<p>(III) Confidentiality:</p> <ol style="list-style-type: none"> 1. The directors, supervisors, and managerial officers of the company shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information. <p>(omitted below)</p>	<p>Practical operational needs</p>
<p>Article 2 Paragraph 1 Subparagraph 4</p>	<p>Fair trade:</p> <p>Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees with fairness, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the</p>	<p>Fair trade:</p> <p>Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees with fairness, and may not obtain improper benefits through manipulation, nondisclosure, or misuse</p>	<p>Practical operational needs</p>

	information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.	of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.	
Article 2 Paragraph 1 Subparagraph 5	(V) Safeguarding and proper use of company assets: All directors, supervisors, and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care,	(V) Safeguarding and proper use of company assets: All directors, supervisors , and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care,	Practical operational needs
Article 2 Paragraph 1 Subparagraph 6	(VI) Legal compliance: The company shall comply with the Securities and Exchange Act and other applicable laws, regulations, and by laws.	(VI) Legal compliance: The company shall comply with strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and by laws.	Amendments
Article 2 Paragraph 1 Subparagraph 7	(VII) Encouraging reporting on illegal or unethical activities: 1. The company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. (omitted below)	(VII) Encouraging reporting on illegal or unethical activities: 1. The company shall raise awareness of ethics internally and encourage employees to report to a company supervisor independent directors, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. (omitted below)	Practical operational needs
Article 2 Paragraph 1 Subparagraph 8	(VIII) Disciplinary measures: 1. When a director, supervisor, or managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed in the Civil Code and Criminal Code and applicable laws and regulations. code; when a managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed by the company, and shall without delay disclose on the Market Observation Post System (MOPS) the title, name, date of the violation by the	(VIII) Disciplinary measures: 1. When a director, supervisor , or managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed in the Civil Code and Criminal Code and applicable laws and regulations. code; when a managerial officer violates the code of ethical conduct, the company shall handle the matter in accordance with the disciplinary measures prescribed by the company, and shall without delay disclose on the Market Observation Post System (MOPS)	Practical operational needs

	<p>violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. (omitted below)</p>	<p>the title, name, date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. (omitted below)</p>	
Article 3	<p>Procedures for exemption Any exemption from compliance with the code must be adopted by a resolution of the board of directors, After resolution, information on the date on which the board of directors adopted the resolution for exemption, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</p>	<p>Procedures for exemption Any exemption from compliance with the code must be adopted by a resolution of the board of directors, After resolution, information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.</p>	Practical operational needs
Article 4	<p>Method of disclosure The code of ethical conduct, and any amendments to it, shall be disclosed on its annual reports and prospectuses and on the MOPS.</p>	<p>Method of disclosure The code of ethical conduct, and any amendments to it, shall be disclosed on the company website, in its annual reports and prospectuses and on the MOPS.</p>	Practical operational needs
Article 5	<p>Enforcement and Amendment A company's code of ethical conduct, and any amendments to it, shall be adopted by the board of directors, delivered to supervisor, and submitted to a shareholders meeting. Any matters not covered by the Code shall be handled in accordance with applicable laws and regulations.</p>	<p>Enforcement and Amendment A company's code of ethical conduct, and any amendments to it, shall be adopted by the board of directors, delivered to supervisor audit committee, and submitted to a shareholders meeting. Any matters not covered by the Code shall be handled in accordance with applicable laws and regulations.</p>	Practical operational needs
Article 6	<p>The Code was approved by the board of directors on May 4, 2010</p>	<p>The Code was approved by the board of directors on May 4, 2010, amended in Dec, 2020 for the first time</p>	Date of Amendment is added

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.

Liu, Zi-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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	%
Current assets						
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	Total current Assets		<u>4,672,123</u>	<u>34</u>	<u>4,924,282</u>	<u>36</u>
Non-current assets						
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	Total non-current assets		<u>8,982,111</u>	<u>66</u>	<u>8,584,062</u>	<u>64</u>
1XXX	Total assets		<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	%	
Current liabilities						
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	Total current Liabilities		<u>3,678,447</u>	<u>27</u>	<u>3,553,868</u>	<u>26</u>
Non-current liabilities						
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	Total non-current liabilities		<u>354,171</u>	<u>3</u>	<u>295,714</u>	<u>2</u>
2XXX	Total Liabilities		<u>4,032,618</u>	<u>30</u>	<u>3,849,582</u>	<u>28</u>
Equity						
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	Total equity		<u>9,621,616</u>	<u>70</u>	<u>9,658,762</u>	<u>72</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<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)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Net sales	6(17) and 7	\$ 8,757,795	100	\$ 8,071,052	100
5000 Costs of sales	6(6)(9)(22)(23) and 7	(8,746,536)	(100)	(8,316,864)	(103)
5900 Gross profit (loss)		11,259	-	(245,812)	(3)
Operating expenses	6(9)(22)(23), 7 and 12				
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	6(18)	1,608	-	967	-
7010 Other income	6(19) and 7	87,068	1	93,556	1
7020 Other gains and losses	6(2)(20) and 12	(46,014)	(1)	(39,332)	-
7050 Finance costs	6(21)	(45,212)	-	(39,271)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	348,255	4	9,971	-
7000 Total non-operating income and expenses		345,705	4	25,891	1
7900 Loss before income tax		(85,555)	(1)	(686,372)	(8)
7950 Income tax expense	6(24)	-	-	(2,187)	-
8200 Loss for the year		(\$ 85,555)	(1)	(\$ 688,559)	(8)
Other comprehensive income (loss)					
Items that may not be reclassified subsequently to profit or loss					
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 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)	-
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translating of foreign financial statements		82,384	1	(170,366)	(2)
8300 Total other comprehensive loss		\$ 53,493	1	(\$ 229,281)	(3)
8500 Total comprehensive loss for the year		(\$ 32,062)	-	(\$ 917,840)	(11)
Loss per share	6(25)				
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, except as otherwise indicated)

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		
Year ended December 31, 2019									
	\$ 6,657,285	\$ 851,689	\$ 1,085,124	\$ 246,224	\$ 2,091,473	(\$ 323,257)	(\$ 124,273)	\$ 10,484,265	
Balance at January 1, 2019	-	-	-	-	(688,559)	-	-	(688,559)	
Net loss for the year	-	-	-	-	-	(170,366)	(58,915)	(229,281)	
6(3) Other comprehensive loss for the year	-	-	-	-	(688,559)	(170,366)	(58,915)	(917,840)	
Total comprehensive income	-	-	-	-	-	-	-	-	
Appropriations and distribution of 2018 earnings:									
Special reserve	-	-	-	201,306	(201,306)	-	-	-	
6(16) Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	50	-	(50)	-	
6(15) Changes in ownership interests in subsidiaries	-	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	
Year ended December 31, 2020									
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)	
6(3) Other comprehensive income (loss) for the year	-	-	-	-	-	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	-	-	-	229,331	(229,331)	-	-	-	
6(16) Changes in ownership interests in subsidiaries	-	(5,084)	-	-	-	-	-	(5,084)	
6(15) 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
CASH FLOWS FROM OPERATING ACTIVITIES			
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		45,212	39,271
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

(Continued)

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
CASH FLOWS FROM INVESTING ACTIVITIES			
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>
CASH FLOWS FROM FINANCING ACTIVITIES			
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.

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.

Liu, Zi-Meng

Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

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	%	
Current assets						
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	Total current assets		<u>6,249,367</u>	<u>43</u>	<u>5,848,229</u>	<u>41</u>
Non-current assets						
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	Total non-current assets		<u>8,322,308</u>	<u>57</u>	<u>8,365,278</u>	<u>59</u>
1XXX	Total assets		<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	%	
Current liabilities						
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	Total current liabilities		<u>4,595,888</u>	<u>32</u>	<u>4,515,885</u>	<u>32</u>
Non-current liabilities						
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	Total non-current liabilities		<u>354,171</u>	<u>2</u>	<u>22,859</u>	<u>-</u>
2XXX	Total liabilities		<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	Total equity attributable to owners of the Company		<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	Total equity		<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	Total liabilities and equity		<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		Notes	2020		2019		
			AMOUNT	%	AMOUNT	%	
4000	Net sales	6(19) and 7	\$ 9,456,875	100	\$ 14,896,250	100	
5000	Cost of sales	6(6)(11)(24)(25) and 7	(9,149,122)	(97)	(14,326,772)	(96)	
5900	Gross profit		307,753	3	569,478	4	
	Operating expenses	6(11)(24)(25) and 12					
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	6(20)	5,012	-	32,748	-	
7010	Other income	6(21) and 7	104,831	1	86,258	1	
7020	Other gains and losses	6(2)(4)(22) and 12	(34,243)	-	(73,582)	(1)	
7050	Finance costs	6(9)(23)	(67,621)	(1)	(332,685)	(2)	
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	171,092	2	(1,421)	-	
7000	Total non-operating income and expenses		179,071	2	(288,682)	(2)	
7900	Loss before income tax		(90,577)	(1)	(738,848)	(5)	
7950	Income tax expense	6(26)	(894)	-	(21,598)	-	
8200	Loss for the period year		(\$ 91,471)	(1)	(\$ 760,446)	(5)	
	Other comprehensive income (loss)						
	Items that may be reclassified subsequently to profit or loss						
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 28,891)	-	(\$ 58,915)	(1)	
	Items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translation of foreign financial statements		82,384	1	(308,425)	(2)	
8300	Total other comprehensive income (loss)		\$ 53,493	1	(\$ 367,340)	(3)	
8500	Total comprehensive loss for the year		(\$ 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:						
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	6(27)					
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							Total	Non-controlling interest	Total equity
	Retained earnings			Other equity interest						
	Share capital - common shares	Capital surplus additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchanges differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
	\$ 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
6(3)	-	-	-	-	(688,559)	-	-	(688,559)	(71,887)	(760,446)
	-	-	-	-	-	(170,366)	(58,915)	(229,281)	(138,059)	(367,340)
	-	-	-	-	(688,559)	(170,366)	(58,915)	(917,840)	(209,946)	(1,127,786)
	-	-	-	201,306	(201,306)	-	-	-	-	-
6(18)	-	-	-	-	50	-	(50)	-	-	-
6(3)	-	92,337	-	-	-	-	-	92,337	780,235	872,572
6(17)(28)	-	-	-	-	-	-	-	-	(4,254,792)	(4,254,792)
6(28)	\$ 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
	\$ 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
	-	-	-	-	(85,555)	-	-	(85,555)	(5,916)	(91,471)
6(3)	-	-	-	-	-	82,384	(28,891)	53,493	-	53,493
	-	-	-	-	(85,555)	82,384	(28,891)	(32,062)	(5,916)	(37,978)
	-	-	-	229,331	(229,331)	-	-	-	-	-
6(18)	-	(5,084)	-	-	-	-	-	(5,084)	5,084	-
6(17)(28)	-	-	-	-	-	-	-	-	(15,169)	(15,169)
6(28)	\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ 9,621,616	\$ -	\$ 9,621,616

Year ended December 31, 2019

Balance at January 1, 2019

Net loss for the year

Other comprehensive loss for the year

Total comprehensive loss for the year

Appropriations and distribution of 2018 earnings:

Special reserve

Disposal of investments in equity instruments designated at fair value through other comprehensive income

Changes in ownership interests in subsidiaries

Decrease in non-controlling interests

Balance at December 31, 2019

Year ended December 31, 2020

Balance at January 1, 2020

Net loss for the year

Other comprehensive income (loss) for the year

Total comprehensive income (loss) for the year

Appropriations and distribution of 2019 earnings:

Special reserve

Changes in ownership interests in subsidiaries

Decrease in non-controlling interests

Balance at December 31, 2020

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
ASH FLOWS FROM OPERATING ACTIVITIES			
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)	-	-
Depreciation expense		(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

(Continued)

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
CASH FLOWS FROM INVESTING ACTIVITIES			
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		486,741	(4,527,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
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		129,820	498,645
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)	\$ 412,618	\$ 192,942

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

Comparison Table for Articles of Incorporation

Article	Before amendment	After amendment	Remark
Article 1	The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Cheng Mei Materials Technology Corp.”	Cheng Mei Materials Technology Corporation °	Required by demand
Article 2	(the Section is omitted) The scope of business of the Company shall be as follow	(the Section is omitted) The scope of business of the Company shall be as follow	Revising
Article 4	The Company shall have its head-office in Tainan City, Taiwan and, if necessary, may set up branches in and out of this country upon a resolution of its Board of Directors.	The Company shall have its head-office in Tainan City, if necessary, may set up branches in and out of this country upon a resolution of its Board of Directors.	Required by Demand
Section 2 of Article 5	(Section one is omitted) Within the amount of registered capital, the Company may issue convertible bonds within the value of three billions New Taiwan Dollars (NT\$3,000,000,000) at ten New Taiwan Dollars (NT\$10) per share, in total of three hundred millions shares (300,000,000); In addition, the Company may issue Employee stock option certificate within the value of six hundred millions New Taiwan Dollars at the face value of ten New Taiwan Dollars per share, in total of sixty millions shares (60,000,000). The board of director may issue multiple as it sees fit.	(Section one is omitted) Within the amount of registered capital, the company reserves 360,000,000 shares for the purpose of issuing certificate of stock option for employees and convertible bond.	Revising
Article 6	The share certificate of the Company shall all be name-bearing share certificates and shall be affixed with the seals or by signature of at least three (3) directors of the Company, and issued after being duly authenticated pursuant to the law.	The share certificate of the Company shall all be name-bearing share certificates and shall be affixed with the seals or by signature of representing director of the Company, and issued after being duly authenticated by a regulated underwriter Pursuant to the law.	Amending in compliance with law and regulation
Article 6-1	(Section one is omitted) When issuing new shares, the Company may print a master share certificate representing the total number of shares of such issuance. The Company may issue shares	(Section one is omitted) When issuing new shares, the Company may print a master share certificate representing the total number of shares of such issuance. The Company may issue shares	Amending in compliance with law and regulation

	without printing share certificate(s) in accordance with Article 162-2 of the Company Act, but shall have the shares registered with the Taiwan Depository & Clearing Corporation.	without printing share certificate(s) in accordance with the Company Act, but shall have the shares registered with the Taiwan Depository & Clearing Corporation.	
Article 8	Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting. The former shall be convened once a year within six months after the close of each fiscal year and the latter shall be convened whenever necessary. Notices which clearly state the purpose(s) for convening meeting shall be sent to each shareholder at least thirty (30) days in advance, in case of general meetings, and at least fifteen (15) days in advance, in case of extraordinary meetings.	Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting. Annual General Meeting of the Company shall be summoned once in a year within the six month after the end of the fiscal year. Extraordinary General Meeting can be summoned if necessary. An annual General Meeting of the Company shall be announced 30 days prior to such a meeting is convened. An Extraordinary General Meeting can be announced with proper reasons 15 days prior to such a meeting is convened.	Amending
Section 1 Of Article 9	Shareholders' meeting shall be convened by the Board of Directors and, be presided over by the Chairman of the Board of Directors; in case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.	Shareholders' meeting shall be convened by the Board of Directors and, be presided over by the Chairman of the Board of Directors; in case the Chairman of the Board of Directors is unable to perform his functions, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.	Depending on demand
Chapter Four	Directors and Supervisors	Directors and the Audit Committees	Required by demand
Article 15-1	The aforesaid Board of Directors must have at least three (3) or one-fifth (1/5) of all directors, whichever is higher, independent directors in accordance with relevant rules of the Securities and Exchange Act. Directors shall be elected by cumulative voting system as specified in Article 198 of the Company Act. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.	The aforesaid Board of Directors must have at least three (3) or one-fifth (1/5) of all directors, whichever is higher, independent directors in accordance with relevant rules of the Securities and Exchange Act. Directors shall be elected by cumulative voting system as specified in Article 198 of the Company Act. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated	Revising

	Those candidates receiving more voting rights shall be elected as Directors. The methods of nomination and election and other related matters shall be subject to the applicable laws.	separately. Those candidates receiving more voting rights shall be elected as Directors. The methods of nomination and election and other related matters shall be subject to the applicable laws.	
Article 15-2	The Company shall set forth the Audit Committee, which comprises of all the independent directors, in accordance with the Securities and Exchange Act. One of independent directors shall be convener, and at least one of whom shall have accounting or financial expertise. The resolution of the Audit Committee shall be made at the meeting in which a majority of the independent directors shall vote in favor of the resolution.	The Company shall set forth the Audit Committee, which comprises of all the independent directors, in accordance with the Securities and Exchange Act. One of independent directors shall be convener, and at least one of whom shall have accounting or financial expertise. The resolution of the Audit Committee shall be made at the meeting in which a majority of the independent directors shall vote in favor of the resolution. The Audit Committee must comply with regulations in exercising its functions. The Audit Committee's incorporation is decided by the board of directors.	Revising
Article 15-4	New	The Company is allowed to set forth Remuneration Committee or other functional committee if required	Required by demand
Article 16	In the year the terms of the directors are expired, the Board of Directors shall convene the general shareholders' meeting for re-electing the directors in accordance with the Securities and Exchange Act.	The board of directors shall convene an Annual General Meeting pursuant to the Company Act in order to elect directors for the next term in the end year of tenure of the board.	Revising
Article 17	The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the directors by majority of directors present at a meeting attended by more than two thirds of directors. The vice Chairman of the Board of Directors may also be elected from among the directors by the same way of the Chairman election. The Chairman shall externally represent the Company and internally perform all his/her duties in accordance with laws and regulations, the Articles of Incorporation, resolutions adopted at	The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the directors by majority of directors present at a meeting attended by more than two thirds of directors. The Chairman shall externally represent the Company and internally perform all his/her duties in accordance with laws and regulations, the Articles of Incorporation, resolutions adopted at meetings of Shareholders and the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his	Required by demand

	meetings of Shareholders and the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice Chairman of the Board of Directors shall act as the Chairman.	duties for cause, unable to exercise his powers for some reasons, a director shall be assigned by the chairman to exercise the chairman's function.	
Article 18	Operational policy of the Company and any other material subject matters should be determined by the Board of Directors. Except for the first meeting of the Board of Directors of every new term, which shall be convened pursuant to Article 203 of the Company Act, all other meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, and shall be presided over by the Chairman of the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice Chairman of the Board of Directors shall act as the Chairman. In case there is no vice Chairman or the vice Chairman of the Board of Directors is on leave or unable to perform his duties for cause as well, the Chairman of the Board shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.	Operational policy of the Company and any other material subject matters should be determined by the Board of Directors. Except for the first meeting of the Board of Directors of every new term, which shall be convened pursuant to the Company Act, all other meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, and shall be presided over by the Chairman of the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause. the Chairman of the Board shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves. Director shall be appointed to act as the host of the boarding meeting by the chairman. If the chairman did not make the appointment, the directors can elect one host by voting.	Required by demand
Article 24	After the close of each fiscal year, the Board of Directors shall prepare the following documents and submit the same to the supervisors for auditing on or before thirty (30) days prior to the general shareholders' meeting and then submit to the general shareholders' meeting for acceptance: (1) the business report, (2) the financial statement and (3) the surplus earning distribution or loss off-setting proposals.	After the close of each fiscal year, the Board of Directors shall prepare the following documents submit to the general shareholders' meeting for acceptance: (1) the business report, (2) the financial statement and (3) the surplus earning distribution or loss off-setting proposals. (The following is omitted)	Revising
Article 25-1	The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal	The company may elect to allocate surplus or compensate loss after half of every fiscal year. Surplus shall pay taxes, compensate accrued loss,	Required by Demand

	<p>reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan approved by the board of directors' special resolution, and submitted the shareholders' meeting.</p>	<p>10% for surplus reserve in each half-fiscal year. The company may choose not to reserve when the surplus reserve reaches the amount of the contributed capital. The leisure is kept for special surplus reserve pursuant to regulations. The board of directors may resolve to allocate accumulated surplus. Shareholders meeting shall make resolution when dividend is proposed to be allocated through issuance of new shares. The board of directors shall resolve if dividends is to be allocated through cash, and reporting to the shareholders meeting. Dividend that company allocates to shareholders must not less than 20% of surplus that is allowed to be allocated. In addition, the cash dividend must not lower than 10% of assignable dividend. Nevertheless, the Company may not choose to allocate dividend when the assignable dividends are less than 50% of contributed capital.</p>	
Article 25-2	New	<p>The employees referred herein includes the employees of the company's subsidiary when The Company buy back its shares and transferring to its employees, issuing stock option for employees and issuance of new shares. The conditions and methods of allocations are authorized to the board of directors or the designated personnel.</p>	Required by demand
Article 28	<p>These Article of Incorporation were enacted on May 9, 2005 and amended on Oct. 17, 2005 for the first time, on May 30, 2006 for the second time, on Oct. 20, 2006 for the third time, on Sep. 27, 2007 for the fourth time, on Mar. 26, 2008 for the fifth time, on Oct. 16, 2009 for the sixth time, on June 9, 2010 for the seventh time, on Oct. 8, 2010 for the</p>	<p>These Article of Incorporation were enacted on May 9, 2005 and amended on Oct. 17, 2005 for the first time, on May 30, 2006 for the second time, on Oct. 20, 2006 for the third time, on Sep. 27, 2007 for the fourth time, on Mar. 26, 2008 for the fifth time, on Oct. 16, 2009 for the sixth time, on June 9, 2010 for the seventh time, on Oct. 8, 2010 for the</p>	Revising

	<p>eighth time, on Aug. 10, 2011 for the ninth time, on June 28, 2012 for the tenth time, on June 27, 2013 for the eleventh time, on June 6, 2014 for the twelfth time, on June 9, 2015 for the thirteenth time, on June 20, 2016 for the fourteenth time, on Feb. 8, 2017 for the fifteenth time, on June 22, 2018 for the sixteen time, and on June 28, 2019 for the seventeen time.</p>	<p>the eighth time, on Aug. 10, 2011 for the ninth time, on June 28, 2012 for the tenth time, on June 27, 2013 for the eleventh time, on June 6, 2014 for the twelfth time, on June 9, 2015 for the thirteenth time, on June 20, 2016 for the fourteenth time, on Feb. 8, 2017 for the fifteenth time, on June 22, 2018 for the sixteen time, on June 28, 2019 for the seventeen time, and the 18th amendment was made on June 28, 2008. April 30.</p>	
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Comparison Table for Rules and Procedures of Shareholders' Meeting

Provision	Before Amendment	Amendment	Description
2	<p>The Company should have an attendance book in place for shareholders to sign in person; attended shareholders can hand in a card with their names on it for the same purpose.</p>	<p>Unless otherwise provided by law or regulation, this Corporation's shareholders meetings shall be convened by the board of directors.</p> <p>This Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. This Corporation shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, this Corporation shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Corporation and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p> <p>The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of</p>	<p>Amended in accordance with laws</p>

		<p>the corporation, or any matter under Article 185, paragraph 1 shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the corporation, and such website shall be indicated in the above notice.</p> <p>Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.</p> <p>A shareholder holding one percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. The number of items so proposed, however, is limited to one only, and no proposal containing more than one item will be included in the meeting agenda, provided a shareholder proposal for urging the corporation to promote public interests or fulfill its social responsibilities may still be included in the agenda by the board of directors. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the</p>	
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		<p>regular shareholders meeting and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>	
3	<p>The attendance and voting taking place in the Shareholders' Meeting should be calculated on the base of the number of shares the shareholder possesses. Shares represented by a shareholder will be decided according to the attendance book or the signature card the shareholder hands in, along with the number of shares granting the right to vote in written or electronic forms.</p>	<p>For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.</p> <p>After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</p>	Amended in accordance with laws
4	(Paragraph 1-4 Omitted)	<p>Omitted-paragraph1-4</p> <p>The Company should have an attendance book in place for shareholders to sign in person; attended shareholders can hand in a card with their names on it for the same purpose.</p>	Amended in accordance with laws
7	(Paragraph 2-3 Omitted)	<p>The attendance and voting taking place in the Shareholders' Meeting should be calculated on the base of the number of shares the shareholder possesses. Shares represented by a shareholder will be decided according to the</p>	Amended in accordance with laws

		attendance book or the signature card the shareholder hands in, along with the number of shares granting the right to vote in written or electronic forms. (Paragraph 2-3 Omitted)	
16	(Paragraph 1-3 Omitted) If elections for directors or supervisors are held in the Shareholders' Meeting, they should be subject to the terms and provisions of the Company's regulations on the election for director and supervisor. The results of the elections should be announced on site along the name of the elected directors and supervisors and their vote counts.	(Paragraph 1-3 Omitted) If elections for directors (including independent directors) are held in the Shareholders' Meeting, they should be subject to the terms and provisions of the Company's regulations on the election for director. The results of the elections should be announced on site along the name of the elected directors (including independent directors) and their vote counts.	Amended in accordance with actual operation
18	The Company should hand to the present shareholders the pamphlet of the meeting, the annual statements, the attendance certificate, the voting slips along with other data related to the meeting; ballots should be attached if there are elections for directors and supervisors. (Paragraph 2-3 Omitted)	The Company should hand to the present shareholders the pamphlet of the meeting, the annual statements, the attendance certificate, the voting slips along with other data related to the meeting; ballots should be attached if there are elections for directors (including independent directors). (Paragraph 2-3 Omitted)	Amended in accordance with actual operation
22	The <i>procedure</i> was stipulated on June 24, 2008. The 1st amendment was on October 16, 2009, the 2nd amendment was on June 27, 2013, and the 3rd amendment was June 9, 2015.	The <i>procedure</i> was stipulated on June 24, 2008. The 1st amendment was on October 16, 2009, the 2nd amendment was on June 27, 2013, the 3rd amendment was June 9, 2015, and the 4 th amendment was April 30, 2021	Date of Amendment is added

Comparison Table for Procedures for Acquisition or Disposal of Assets

Provision	Before Amendment	Amendment	Description
Article 2	<p>Scope of asset</p> <p>The term "assets" as used in these Regulations includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 6. Derivatives. 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 8. Other major assets. 	<p>Scope of asset</p> <p>The term "assets" as used in these Regulations includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. <u>Right-of-use assets.</u> 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 9. Other major assets. 	Amended in accordance with law
Article 3-1-2	<ol style="list-style-type: none"> 1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements. 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act. 	<ol style="list-style-type: none"> 1. Derivatives: <u>Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares 	Amended in accordance with law

		from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under <u>Article 156-3</u> of the Company Act.	
Article 5-2-3-1~2	(3).Execution unit: During the acquisition or disposal of assets of the Company, after approval according to the aforementioned authority, the following unit shall be responsible for the execution according to the type of assets. 1. Real properties: Human Resource General Affairs Department of Administration Division 2. Valued securities: Accounting Department of Administration Division 3. Other fixed assets, memberships and intangible assets: usage department and relevant authority unit.	(3).Execution unit: During the acquisition or disposal of assets of the Company, after approval according to the aforementioned authority, the following unit shall be responsible for the execution according to the type of assets. 1. Real properties: <u>Human Resource General Affairs Department</u> 2. Valued securities: <u>Finance Department</u> 3. Other fixed assets, memberships and intangible assets: usage department and relevant authority unit.	Amended in accordance with actual operation
Article 6-1	When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 5 and the procedures for acquiring or disposing assets and real properties.	When the Company engages in any acquisition or disposal of assets or <u>Right-of-use assets</u> from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 5 and the procedures for acquiring or disposing assets and real properties.	Amended in accordance with law
Article 6-2-2	Resolution procedure: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of domestic money market funds issued by the securities investment trust enterprise, the company may not proceed	Resolution procedure: When the Company intends to acquire or dispose of real property <u>or right-of-use assets</u> from or to a related party, or when it intends to acquire or dispose of assets or <u>right-of-use assets</u> other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds <u>in the country</u> or bonds under repurchase and resale agreements, or subscription or buyback of domestic money market	Amended in accordance with law

	to enter into a transaction contract or make a payment until the following matters have been approved by more than 1/2 of the total members of the Audit Committee and submitted to the Board of Directors for resolution; if it is not approved by more than 1/2 of the total members of the Audit Committee, the consents of 2/3 of the entire Directors may be obtained for execution, and the resolution of the Audit Committee shall be recorded in the board meeting minutes. Following which, contract signing and payment of fees may be executed.	funds issued by the securities investment trust enterprise, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than 1/2 of the total members of the Audit Committee and submitted to the Board of Directors for resolution; if it is not approved by more than 1/2 of the total members of the Audit Committee, the consents of 2/3 of the entire Directors may be obtained for execution, and the resolution of the Audit Committee shall be recorded in the board meeting minutes. Following which, contract signing and payment of fees may be executed.	
Article 6-2-2-3	With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 3 and Article 4.	With respect to the acquisition of real property <u>or right-of-use assets</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 3 and Article 4.	Amended in accordance with law
Article 6-2-3	With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article 5, paragraph 2, subparagraph 1 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.	With respect to the acquisition or disposal of business-use equipment, <u>right-of-use assets or real property</u> right-of-use assets between the Company and its parent or subsidiaries <u>or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u> , the Company's Board of Directors may pursuant to Article 5, paragraph 2, subparagraph 1 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.	Amended in accordance with law
Article 6-3-1	The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:	The Company that acquires real property <u>or right-of-use assets</u> from a related party shall evaluate the reasonableness of the transaction costs by the following means:	Amended in accordance with law
Article 6-3-2	Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be	Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the	Amended in accordance with law

	separately appraised in accordance with either of the means listed in the preceding paragraph.	structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.	
Article 6-4-1-2	Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with	Completed Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels <u>or lease</u> of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with	Amended in accordance with law
Article 6-4-2	Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.	Where the Company acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u> from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or right-of-use assets</u> .	Amended in accordance with law
Article 6-5-1-1	(I) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 3 are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company	(I) Where the Company acquires real property <u>or right-of-use assets</u> from a related party and the results of appraisals conducted in accordance with Article 3 are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with article 41, paragraph 1 of the Act against the difference between the real property <u>or right-of-use assets</u> transaction price and the appraised cost, and may not be distributed or used for	Amended in accordance with law

	uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.	capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.	
Article 6-5-2	(II)Condition where special reserve may be utilized: The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.	(II)Condition where special reserve may be utilized: The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, or adequate compensation <u>or contract terminated</u> has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.	Amended in accordance with law
Article 6-6	VI. Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the resolution procedure specified in Paragraph 2 of this Article, and the regulation related to the evaluation of reasonableness of transaction cost and the regulation for engaging a CPA to check the appraisal and render a specific opinion specified in Paragraph 3 of Article 7 do not apply: (I)The related party acquired the real property through inheritance or as a gift. (II)More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. (III)The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.	VI. Where the Company acquires real property <u>or right-of-use assets</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the resolution procedure specified in Paragraph 2 of this Article, and the regulation related to the evaluation of reasonableness of transaction cost and the regulation for engaging a CPA to check the appraisal and render a specific opinion specified in Paragraph 3 of Article 7 do not apply: (I)The related party acquired the real property through inheritance or as a gift. (II)More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets</u> to the signing date for the current transaction. (III)The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.	Amended in accordance with law
Article 7-1	I. The Company acquires or disposes of real property or equipment, unless	I. The Company acquires or disposes of real property or equipment <u>or</u>	Amended in

	transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, where the translocation amount:	<u>right-of-use assets</u> , unless transacting with a government agency <u>in the country</u> , engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use <u>or right-of-use assets</u> , where the translocation amount:	accordance with law
Article 7-4	IV. Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	IV. Where a public company acquires or disposes of memberships or intangible assets <u>or right-of-use assets</u> , and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency <u>in the country</u> , the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	Amended in accordance with law
Article 9-1-3	(III) Division of responsibilities 1. Financial and Accounting Department of Administration Division - Financial Section (1)Responsible for the establishment of financial product transaction strategies of the entire company. (2)Executing transaction according to the authority authorized and the predefined strategy. 2. Financial and Accounting Department of Administration Division - Accounting Section	(III) Division of responsibilities 1. Financial and Accounting Department of Administration Division - Financial Section (1)Responsible for the establishment of financial product transaction strategies of the entire company. (2)Executing transaction according to the authority authorized and the predefined strategy. 2. Financial and Accounting Department of Administration Division - Accounting Section	Amended in accordance with law
Article 9-1-6-1-2	(2)Special purpose transaction: For the predictions based on the market change status, the Financial and accounting department of Administration Division shall establish strategies according to the approval of the financial affairs authorization rules and standards, and shall prepare transaction detail table on a monthly basis for submission to the senior supervisors authorized by the Board of Directors and reports thereof, and it shall be reported in the Board of Directors meeting by the authorized personnel or the supervisor designed.	(2)Special purpose transaction: For the predictions based on the market change status, the Financial and accounting department of Administration Division shall establish strategies according to the approval of the financial affairs authorization rules and standards, and shall prepare transaction detail table on a monthly basis for submission to the senior supervisors authorized by the Board of Directors and reports thereof, and it shall be reported in the Board of Directors meeting by the authorized	Amended in accordance with law

		personnel or the supervisor designed.	
Article 9-2-5-4	4. The part for the financial derivative transaction shall be evaluated daily, and the daily evaluation report shall include the actual and predicted values related to profit and loss, which shall be submitted to the supervisor of Administration Division for approval; in case of special conditions, the supervisor of Administration Division may report to the President, and the monthly summarized evaluation report shall be submitted to the senior supervisor authorized by the Board of Directors for approval.	<u>Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.</u>	Amended in accordance with law
Article 9-5-4	Matters for careful evaluation according to Item 4 of Subparagraph 5 of Paragraph 2 of this Article, Item 2 of Subparagraph 1 and Item 1 of Subparagraph 2 of the previous Paragraph.	Matters for careful evaluation according to Item 4 of Subparagraph 5 of Paragraph 2 of this Article, Item 2 of Subparagraph 1 and Item 1 of Subparagraph 2 of the previous Paragraph.	Amended in accordance with content
Article 10-1-1	Prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. Nevertheless, where a public company conducts a merge between its subsidiaries with 100 percent of issued shares or total capital directly or indirectly held, the obtaining of the aforementioned opinion on reasonableness issued by experts may be exempted.	Prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. Nevertheless, where a public company conducts a merge between its subsidiaries with 100 percent of issued shares or total capital directly or indirectly held, <u>or in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital,</u> the obtaining of the aforementioned opinion on reasonableness issued by experts may be exempted.	Amended in accordance with content
Article 11-3	Subsidiary shall prepare the detail table for the financial derivative transactions performed in the previous month before the fifth day of each month and shall submit it to the Administration Division of the Company for review; in addition, on the date when the event of special public announcement and report under	Subsidiary shall prepare the detail table for the financial derivative transactions performed in the previous month before the fifth day of each month and shall submit it to the Administration <u>Financial</u> Division of the Company for review; in addition, on the date when the event of special public announcement and report	Amended in accordance with actual operation

	Article 12 occurs, notice to the Administration Division shall be made in order to facilitate the Company in executing the obligations of public announcement and report on behalf of the subsidiary.	under Article 12 occurs, notice to the Administration <u>Financial</u> Division shall be made in order to facilitate the Company in executing the obligations of public announcement and report on behalf of the subsidiary.	
Article 12-2-1	Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of domestic money market funds issued by securities investment trust enterprise.	Acquisition or disposal of real property <u>or right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds <u>in the country</u> or bonds under repurchase and resale agreements, or subscription or buyback of domestic money market funds issued by securities investment trust enterprise.	Amended in accordance with law
Article 12-2-4	4. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount reaches one of the following:	4. Where the type of asset acquired or disposed is equipment/machinery <u>or right-of-use assets</u> for business use, the trading counterparty is not a related party, and the transaction amount reaches one of the following:	Amended in accordance with law
Article 12-2-5	5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is more than NT\$500 million.	5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u> , and the amount the company expects to invest in the transaction is more than NT\$500 million.	Amended in accordance with law
Article 12-2-6	6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this	6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million;	Amended in accordance with law

	<p>shall not apply to the following circumstances:</p> <p>(1). Trading of government bonds.</p> <p>(2). Trading of bonds under repurchase/resale agreements, or subscription or buyback of domestic money market funds issued by securities investment trust enterprise.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>(A)The amount of any individual transaction.</p> <p>(B)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(C)The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>(D)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	<p>provided, this shall not apply to the following circumstances:</p> <p>(1). Trading of government bonds <u>in the country</u>.</p> <p>(2). Trading of bonds under repurchase/resale agreements, or subscription or buyback of domestic money market funds issued by securities investment trust enterprise.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>(A)The amount of any individual transaction.</p> <p>(B)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(C)The cumulative transaction amount of real property or <u>right-of-use assets</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>(D)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	
Article 12-3-2	(2)The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Item 5 of Subparagraph 2 of Paragraph 2 of this Article requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.	(2) The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Item 5 of Subparagraph 2 of Paragraph 2 of this Article requiring a public announcement and regulatory filing in the event the type of transaction of paid-in capital or of the total assets.	Amended in accordance with law
Article 16	These handling procedures was established in May 2008, the first amendment was made in August 2009, the second amendment was made in August 2010, the third amendment was	These handling procedures was established in May 2008, the first amendment was made in August 2009, the second amendment was made in August 2010, the third amendment was	Date of Amendment is added

	made in August 2011, the fourth amendment was made in June 2012, the fifth amendment was made in June 2013, the sixth amendment was made in June 2014, and the seventh amendment was made in June 2017.	made in August 2011, the fourth amendment was made in June 2012, the fifth amendment was made in June 2013, the sixth amendment was made in June 2014, the seventh amendment was made in June 2017, <u>and the eighth amendment was made in April, 2021.</u>	
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Comparison Table for Procedure for Transactions between Enterprise Groups, Specific Companies and Related Parties

Provision	Before Amendment	Amendment	Description
Article 2 Paragraph 3	“Affiliated enterprises” as referred to in Paragraph 1 are in accordance with the “afflicted enterprises” stipulated in Chapter 6-1 in the Company Act. The term “related parties” are <u>based on the definition of “Related Party Transaction Disclosures” of Statements of Financial Accounting Standards No. 6 released by Accounting Research and Development Foundation (ARDF) regarding related parties.</u>	“Affiliated enterprises” as referred to in Paragraph 1 are in accordance with the “afflicted enterprises” stipulated in Chapter 6-1 in the Company Act. The term “related parties” are <u>based on the definition of “Related Party Transaction Disclosures” of IAS 24 and Article 18 of Regulations Governing the Preparation of Financial Reports by Securities Issuers</u> regarding related parties.	Amended in accordance with laws
Article 7	These Procedures, and any amendments to <u>the clauses</u> , shall enter into force after they have been adopted by the board of directors and <u>approved by the shareholders’ meeting.</u>	These Procedures, and any amendments to <u>the clauses</u> , shall enter into force after they have been approved by the board of directors <u>meeting.</u>	Amended in accordance with actual operation

2021 Measurement of Issuing Restricted Stock Awards (RSA) for employees

Article 1 Purpose of issuance

To attract and retain the talents required by the company, to motivate employees and to enhance employee co-ordination so as to jointly create the interests of the company and shareholders, the Company plans to stipulate 2021 Issuing Measurement of Restricted Stock Awards for employees (hereinafter referred to as “the Measurement”) in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

Article 2 Period of declaration and issuance

Based on actual needs, shares can be issued at once or separately during the one-year period starting from the date when the application is ratified by competent authorities and comes into force to the termination date of the ratification. The actual issuing date should be decided by the chairman authorized by the Board.

Article 3 Qualification requirements for employees

(1). Qualification criteria for employees: Official Employees starts working before the record date of grant.

(2). The grant of RSA will be based on seniority, job level, position, job performance, overall contribution, special achievement or other conditions required as the basis for management. The number of shares granted shall be approved by the Chairman and submitted to the Board of Directors for resolution. Any employee who holds a managerial position shall be subject to the approval of the Remuneration Committee.

(3)The company issued the employee stock option certificate in accordance with the first paragraph of Article 56(1) of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers that cumulative number of shares subscribed by the single option holder, and the total amount of RSA obtained by the accumulative shareholder shall not exceed 0.3% of the total number of the issued shares. Also, in accordance with the first paragraph of Article 56(1) of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the company issued the employee stock option certificate subscribed by the single option holder shall not exceed 1% of the total number of the issued shares. However, if it is approved by the regulator, the total amount of a single employee’s share option certificate and RSA may not be limited by the percentage of issued shares as mentioned above.

Article 4 Total amounts (shares) of issuance

The total amount of the restricted award for employee referred to in the Measurement is of NT\$200,000,000, at NT\$10 par value, a total of 20,000,000 common share issued.

Article 5 Vesting conditions

1. Issuing price: The shares are issued at the price of NT\$0 per share, and are granting to selected employees at no cost.

2. Issued Item : Common Stock

3. Vesting conditions: The selected employees who have been granted Restricted Stock Awards in compliance with the Measurement, continued to work on the following vested terms from the record date of grant (the record date of cash capital increase), and had met the performance criteria will receive new shares respectively on the basis of the following schedule and the proportion of shares subscribed.

	performance criteria			
seniority	A+	A	B+	B and below
6 months after granting	10%	80% of 10%	50% of 10%	0
1 year after granting	20%	80% of 20%	50% of 20%	0
2 years after granting	30%	80% of 30%	50% of 30%	0
3 years after granting	40%	80% of 40%	50% of 40%	0

(1). Upon failure to meet the vesting conditions of Restricted Stock Awards, after the vesting effective date, such shares will be redeemed by the Company without compensation and will be canceled.

(2). The abovementioned granting shares are calculated by rounding and in units of shares.

4. Measures to be taken when employees fail to meet the vesting conditions or in the event of inheritance:

(1).Resignation, termination of employment contract in accordance with article 11 and 12 of the Labor Standards Act, Death: Failure to meet the vesting conditions of Restricted Stock Awards causes void of the grant from the effective date or the day when cause occurs depending on whichever date is arrived earlier.

(2)Retirement: In the latest period after the effective date, fail to meet the vesting conditions which shall be fulfilled, still follow the schedule to calculate the proportion of share in accordance with article 3 of the Measurement.

(3)Leave with salary suspended: In the latest term set forth on the vesting schedule after the effective date, failure to meet the vesting conditions, still follow the schedule to calculate the proportion of shares in accordance with article 3 of the Measurement. Article 1 of the Measurement will be conducted, when reinstatement after the ending of the leave with salary suspended.

(4)Disability or death caused by work injury, or death

A. Employees who cannot continue to work due to physical disabilities caused by work or work related activities. In the latest term set forth on the vesting schedule after the effective date, fail to meet the vesting conditions, still follow the schedule to calculate the proportion of shares in accordance with article 3 of the Measurement.

B. Death due to work and work related activities, in accordance with article 3 of the Measurement, and the heir will inherit the grant vested.

(5). Transfer:

A. When employees are transferred to an affiliated company or other subsidiary, and fail to meet the vesting conditions, such employees shall be treated in the same manner as those who leave the company.

B. If, due to the company's operations, an employee is transferred to an affiliated company or other subsidiary, the employee's rights RSA scheme will not be affected.

(6)An employee declares in writing to waive the RSA, the grant will be redeemed without compensation by the Company and canceled.

(7)An employee violates company's regulations and has been marked as a major demerit, RSA will be redeemed by the Company and canceled.

5. Before vesting period expire: selected employees will receive share and cash dividends at no cost.

6. For such shares are repurchased by the Company without compensation will be cancelled.

7. Restricted rights before employees meet the vesting conditions:

(1) Before the vesting conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of RSA that they subscribe to in accordance with the Measurement.

(2) During the vesting period, the RSA can participate in a distribution of share or cash dividends.

(3) During the vesting period, if the company carry out a capital reduction, RSA will be cancelled proportionally. If the capital reduction is done by cash return, the returned cash should be kept under company's custody, and be paid to the employees upon vesting condition is fulfilled; if the employee does not meet the vesting condition, all shares the employees subscribed in accordance with the Measurement shall be bought back by the company based on the original subscription price and cancel accordingly.

(4)The RSA shall be delivered to the trust immediately after issuance. Employees may not ask the trustee to return the RSA for any reasons or by any method prior to the fulfillment of vesting conditions.

(5)Before the vesting conditions are fulfilled, an employee violate article 8 of the Measurement or termination the contract, such shares will be repurchased by the Company without compensation.

8. Other important terms and conditions:

Employees who subscribe to RSA pursuant to the present measures during the period of the trust issuance, the discretionary staff of the company and the stock trust institution shall discuss, sign, amend, extend, terminate, terminate, and transfer the trust custody contract (shares and cash),and other behaviors pursuant to this measurement.

Article 6 Confidentiality clause

1. Selected employees will be informed to sign the consent for Restricted Stock Awards for employees after the issuance of units, price, vesting conditions, selected list... and related items are confirmed.

2. Restricted Stock Awards received after the consent is being signed, on the other hands, those who

fail to complete the consent fail to receive Restricted Stock Awards.

3. After the consent for Restricted Stock Awards for employees has been signed, employees should subject to the Company's confidential provision not revealing any detail of the Restricted Stock Awards received. Any violations of such should be punished by the Company based on the severity of the infringement, such shares will be repurchased by the company with compensation and cancelled.

Article 7 Tax

Taxes relating to shares employees purchased according to the Method should be deducted and executed in compliance with related tax-related laws and rules of R.O.C.

Article 8 Enforcement rules

Further notice will be made by responsible unit regarding to relevant procedures and schedule of the list of selected employees, signing and etc.

Article 9 Any other matters that need to be specified:

- (1) This measurement was approved by over 1/2 votes out of higher than 2/3 attendance rate.
Hereafter, in case of the need to make amendments due to changes in the decree or request of the competent authority to audit, the Chairman will be authorized to amend the Measurement, and then he would issue the approval of Board of Directors.
- (2) Before the vesting conditions are fulfilled, the attendance, proposals, speeches, voting rights and other relevant shareholders' rights and interests of the company's shareholders' meeting were all entrusted to the trust to exercise. Other right including share dividends, bonus...etc. same as common share issued.
- (3) If there are any unfinished matters in this Measurement shall be revised or implemented in accordance with the relevant laws and regulations.

**ARTICLES OF INCORPORATION
OF
CHENG MEI MATERIALS TECHNOLOGY CORP.**

(English translation, for reference only)

SECTION I GENERAL PROVISIONS

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

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

1. CC01080 Electronic Parts and Components Manufacturing
2. CE01030 Photographic and Optical Equipment Manufacturing
3. C801990 Other Chemical Materials Manufacturing
4. F113030 Wholesale of Precision Instruments
5. F119010 Wholesale of Electronic Materials
6. F219010 Retail Sale of Electronic Materials
7. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

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

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

SECTION II SHARES

Article 5 The total capital amount of the Company shall be twelve billion New Taiwan Dollars (NT\$12,000,000,000), divided into one thousand two hundred million (1,200,000,000) shares, at a par value of ten New Taiwan Dollars (NT\$10) per share, and may be paid-up in installments. The issuing price per share is authorized to the board of the directors pursuant to the Company Act and Securities Laws.

Within the amount of registered capital, the Company may issue convertible bonds within the value of three billions New Taiwan Dollars (NT\$3,000,000,000) at ten New Taiwan Dollars (NT\$10) per share, in total of three hundred millions shares (300,000,000); In addition, the Company may issue Employee stock option certificate within the value of six hundred millions New Taiwan Dollars at the face value of ten New Taiwan Dollars per share, in total of sixty millions shares (60,000,000). The board of director may

issue multiple as it sees fit.

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

Article 6-1 When issuing new shares, the Company may print a master share certificate representing the total number of shares of such issuance.

The Company may issue shares without printing share certificate(s) in accordance with Article 162-2 of the Company Act, but shall have the shares registered with the Taiwan Depository & Clearing Corporation.

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

SECTION III SHAREHOLDERS' MEETING

Article 8 Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting. The former shall be convened once a year within six months after the close of each fiscal year and the latter shall be convened whenever necessary. Notices which clearly state the purpose(s) for convening meeting shall be sent to each shareholder at least thirty (30) days in advance, in case of general meetings, and at least fifteen (15) days in advance, in case of extraordinary meetings.

Article 9 Shareholders' meeting shall be convened by the Board of Directors and, be presided over by the Chairman of the Board of Directors; in case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.

For the Shareholders' meeting convened by any other person having the convening right, such person shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

Article 10 Unless otherwise provided under Article 179 of the Company Act which sets forth the situation where the shareholder has no voting rights, a shareholder of the Company shall have one vote for each share held by him/her/it.

Article 11 In case a shareholder is unable to attend a shareholders' meeting in person, such shareholder may issue proxy in the form printed by the Company, setting forth the scope of authorization for the representative to be present on his/her/its behalf in accordance with Article 177 of the Company Act, or vote

in writing or via an electronic voting system in accordance with Article 177-1 of the Company Act.

Article 12 Unless otherwise provided in the Company Act, a resolution shall be made at the meeting attended by shareholders holding and representing majority of the total number of issued and outstanding shares and at which meeting a majority of the shareholders shall vote in favor of the resolution.

Article 13 In case the corporate shareholder is the sole shareholder of the Company, the power of the Shareholders' meeting shall be performed by the Board of Directors and shall not subject to the relevant rules of the Shareholders' meeting under this Articles of Incorporation.

Article 14 The resolutions of the shareholders' meeting shall be recorded in the minutes, and shall be made in accordance with Article 183 of the Company Act.

Article 14-1 The termination of the Company's being a public company is subject to the shareholders' approval. For so long as the shares are traded on the Emerging Stock Market or listed on the Taipei Exchange or the Taiwan Stock Exchange in Taiwan, this article shall not be amended.

SECTION IV DIRECTORS AND SUPERVISORS

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

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

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

Article 15-2 The Company shall set forth the Audit Committee, which comprises of all the independent directors, in accordance with the Securities and Exchange Act. One of independent directors shall be convener, and at least one of whom shall

have accounting or financial expertise. The resolution of the Audit Committee shall be made at the meeting in which a majority of the independent directors shall vote in favor of the resolution.

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

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

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

Article 16-2 Regardless whether the Company makes profits or suffers loss, the Company may pay the directors the remunerations for their performance their duties. The Board of Directors is authorized to determine such remunerations based on the extent of involvements of the Company's operation and the value of the contribution of the directors and the normal rate adopted by other companies in the same industry., but shall subject to the top level of salary stipulated in the Company's salary determination rule.

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

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

Article 18 Operational policy of the Company and any other material subject matters should be determined by the Board of Directors. Except for the first meeting

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

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

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

Article 21 (Deleted)

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

SECTION V MANAGERS

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

SECTION VI ACCOUNTING

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

31 of the same year.

Article 24

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

Article 25

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

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

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

Article 25-1

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

SECTION VII

SUPPLEMENTARY PROVISIONS

Article 26

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

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

Article 28 These Article of Incorporation were enacted on May 9, 2005 and amended on Oct. 17, 2005 for the first time, on May 30, 2006 for the second time, on Oct. 20, 2006 for the third time, on Sep. 27, 2007 for the fourth time, on Mar. 26, 2008 for the fifth time, on Oct. 16, 2009 for the sixth time, on June 9, 2010 for the seventh time, on Oct. 8, 2010 for the eighth time, on Aug. 10, 2011 for the ninth time, on June 28, 2012 for the tenth time, on June 27, 2013 for the eleventh time, on June 6, 2014 for the twelfth time, on June 9, 2015 for the thirteenth time, on June 20, 2016 for the fourteenth time, on Feb. 8, 2017 for the fifteenth time, on June 22, 2018 for the sixteen time, and on June 28, 2019 for the seventeen time.

Rules and Procedures of Shareholders' Meeting (Before amendment)

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

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

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

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

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

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

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

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

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

- VII. The chairman should announce the commencement of the meeting at the scheduled time; however, if the present shareholders altogether does not constitute half of the total number of the Company's issued stocks, the chairman may postpone the meeting. The number of postponement should be no

more than two times and the total time of postponement should be less than an hour. If, after two postponements, the total shareholders present still does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of the Company's issued shares. A notice of such tentative resolution should be distributed to all shareholders in accordance with Paragraph 1 of Article 175 of the Company Act. The Shareholders' Meeting should be reconvened within a month.

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

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

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

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

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

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

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

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

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

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

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

XII. The chairman should reply in person or appoint relevant personnel to do so after a shareholder finishes his/her speech.

XIII. The chairman is entitled to determine whether the discussion of a certain motion is adequate and

is ready for voting. The chairman can announce termination to the discussion and begin voting procedure.

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

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

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

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

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

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

- XIX. The chairman is entitled to call for disciplinary personnel or securities to maintain the order of the venue. Disciplinary personnel or securities should wear recognizable identifications when performing their duties of maintaining onsite order.
- If a shareholder violates the rules on the meeting or impedes the process of the meeting and refuses to obey the chairman's warnings. The chairman is entitled to call for disciplinary

personnel or securities to escort the shareholder out of the venue.

- XX. Unless otherwise stipulated in the Company Act and the Corporate Chapter, matters that are not covered by the *Rules on the Shareholders' Meeting* should be subject to the chairman's ruling. A shareholder should find an applicable and legal mean to express his/her/its discontent about this and should not interfere the process of the meeting deliberately.
- XXI. The *Rules on the Shareholders' Meeting* has been ratified, implemented, and amended with the Board's resolution.

The *Rules on the Shareholders' Meeting* was stipulated on June 24, 2008. The 1st amendment was on October 16, 2009, the 2nd amendment was on June 27, 2013, and the 3rd amendment was June 9, 2015.

Procedures for Acquisition or Disposal of Assets

Article 1. Purpose and legal basis

To regulate the required procedures and required public announcements, application matters of the Company in acquiring or disposing specific assets, the Company establishes these handling procedures according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 2. Scope of asset

The term "assets" as used in these Regulations includes the following:

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VI. Derivatives.
- VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- VIII. Other major assets.

Article 3. Definition of terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of director's resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4. Excluding related parties

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Article 5. Procedures for handling acquisition and disposal of assets

- I. Evaluation procedure: the determination and reference basis of the price of the asset acquired or disposed shall be based on the following:
 - (I) Real property acquired or disposed: Before the date of the occurrence, the published current value, appraised value, actual price of nearby real property, professional appraisal report etc. shall be referenced for determination.
 - (II) Other fixed assets acquired or disposed: Before the date of the occurrence, shall be determined based on one of the method of price inquiry, price comparison, price negotiation or tender method.
 - (III) Valued securities acquired or disposed:
 - 1. For the valued security transaction at the stock exchange market or the security operator place shall be determined by the responsible unit according to the market condition.
 - 2. For the valued security transaction not at the stock exchange market or the security operator place, the financial statement approved or audited by CPA of the latest session of the subject matter company before the date of occurrence shall be obtained as a reference for evaluation of the transaction price, and the net value of each share, profitability and future development potential etc. shall be considered for determination thereof.
 - (IV) Membership acquired or disposed: Reference to the fair market price shall be made before the date of the occurrence.
 - (V) Intangible asset acquired or disposed: Reference to the expert evaluation report or fair market price in the market shall be made before the date of occurrence.
- II. Operation procedure:

- (I) Authorization limit and level: For the approval limit and level of the transaction price described in the preceding paragraph, the financial affairs authorization limit and level are to be further established; for the approval limit and level of the transaction price describe in the preceding paragraph, financial affairs authorization procedures and standards are to be further established and submitted to the Board of Directors for approval, followed by implementation thereof.
- (II) Limit: Except for the assets purchased by Company for business uses, the real properties and valued securities invested not for business uses, the limit shall be as follows:
 - 1. The total amount of real properties acquired not for business use shall not exceed 150% of the paid-in capital of the Company.
 - 2. The total amount of valued securities acquired shall not exceed 200% of the net value of the Company.
 - 3. The total amount of individual valued security acquired shall not exceed 150% of the net value of the Company.
- (III) Execution unit: During the acquisition or disposal of assets of the Company, after approval according to the aforementioned authority, the following unit shall be responsible for the execution according to the type of assets.
 - 1. Real properties: Human Resource General Affairs Department of Administration Division
 - 2. Valued securities: Accounting Department of Administration Division
 - 3. Other fixed assets, memberships and intangible assets: usage department and relevant authority unit.
- (IV) Transaction process:
 - 1. The acquisition or disposal of real property or other fixed assets shall be handled according to the fixed asset cycle of the internal control system of the Company.
 - 2. The acquisition or disposal of valued securities, memberships and intangible assets shall be handled according to the investment cycle of the internal control system of the Company.

Article 6. Transaction with related party

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 5 and the procedures for acquiring or disposing assets and real properties.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12.

- I. Determination of a related party: When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

- II. Resolution procedure: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of domestic money market funds issued by the securities investment trust enterprise, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than 1/2 of the total members of the Audit Committee and submitted to the Board of Directors for resolution; if it is not approved by more than 1/2 of the total members of the Audit Committee, the consents of 2/3 of the entire Directors may be obtained for execution, and the resolution of the Audit Committee shall be recorded in the board meeting minutes. Following which, contract signing and payment of fees may be executed. The total members of Audit Committee and the entire Directors described in the preceding paragraph shall be calculated based on the actual valid members and directors.
- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - (II) The reason for choosing the related party as a trading counterparty.
 - (III) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 3 and Article 4.
 - (IV) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
 - (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 7.
 - (VII) Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 12, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and recognized by the Board of Directors need not be counted toward the transaction amount. With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's Board of Directors may pursuant to Article 5, paragraph 2, subparagraph 1 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting.
- III. Reasonableness evaluation of transaction cost

- (I) The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
 - 3. When the Company appraises the cost of the real property in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.
 - (II) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- IV. Method of proving reasonableness of transaction price: When the results of the Company's appraisal conducted in accordance with the preceding paragraphs are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 5. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
- (I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - 1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

3. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (II) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.
- V. Handling method for unreasonable transaction price:
- (I) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 3 are uniformly lower than the transaction price, the following steps shall be taken:
1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
 2. Audit Committee shall comply with Article 218 of the Company Act.
 3. Actions taken pursuant to preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (II) Condition where special reserve may be utilized: The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- (III) When the Company obtains real property from a related party, it shall also comply with this paragraph if there is other evidence indicating that the acquisition was not an arm's length transaction.

VI. Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the resolution procedure specified in Paragraph 2 of this Article, and the regulation related to the evaluation of reasonableness of transaction cost and the regulation for engaging a CPA to check the appraisal and render a specific opinion specified in Paragraph 3 of Article 7 do not apply:

- (I) The related party acquired the real property through inheritance or as a gift.
- (II) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
- (III) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

Article 7. Professional appraiser or CPA shall be consulted to provide opinions upon acquiring or disposing major assets

I. The Company acquires or disposes of real property or equipment, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, where the translocation amount:

Reaches 20 percent of the company's paid-in capital or NT\$300 million or more.

Transaction amount with a related party reaches 10 percent of the company's total asset.

Shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- II. The Company acquiring or disposing of securities of the dollar amount reaching 20 percent of the company's paid-in capital or NT\$300 million or more shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.
- III. Where the Company acquires real property from a related party, in addition to the appraisal of the cost of the real property in accordance with Article 6, Paragraph 3, shall also engage a CPA to check the appraisal and render a specific opinion.
- IV. Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- V. The calculation of the transaction amounts referred to in this Article shall be made in accordance with Article 12, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and recognized by the Board of Directors need not be counted toward the transaction amount.
- VI. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 8. Handling procedure for acquiring or disposing the receivables of financial institutes

In principle, the Company does not engage in the transactions of acquisition or disposal of receivables of financial institutes; in the event where the receives of financial institutes are to be acquired or disposed in the future, such matter shall be reported to the Board of Directors for approval, followed by establishing evaluation and operation procedures thereof.

Article 9. Handling procedure for acquisition and disposal of derivatives

- I. Transaction principle and directive
 - (I) Type of transaction: The derivatives that the Company may engage in include such as forward contracts, options contracts, futures, interest rates or currency rate exchange, and compound contracts combining the above products etc.
 - (II) Hedge strategy:

1. Hedge transaction: For the derivative transaction for the purpose of hedge, it shall be based on avoiding the risks generated due to the business operation of the Company; therefore, for operating foreign exchanges, the currency held shall satisfy the foreign currency demands for the actual import and export transaction of the Company with the principle of overall part (referring to foreign currency income and expenditure) self-squaring of the Company in order to reduce the overall foreign currency risk of the Company and to reduce the foreign currency operating cost.
2. Special purposed transaction: Shall be evaluated carefully and submitted for approval according to the Financial Affairs Authorization Rules.’

(III) Division of responsibilities

1. Financial and Accounting Department of Administration Division - Financial Section
 - (1) Responsible for the establishment of financial product transaction strategies of the entire company.
 - (2) Executing transaction according to the authority authorized and the predefined strategy.
2. Financial and Accounting Department of Administration Division - Accounting Section
 - (1) Executing transaction confirmation.
 - (2) Reviewing whether transaction is performed according to the authority authorized and the predefined strategy.
 - (3) Handling accounting affairs.

(IV) Authorization limit and level

For the limit and level of the approval for derivative transactions, further financial affairs authorization rules and standards shall be established, followed by implementation upon the approval of the Board of Directors

(V) Performance evaluation

1. Hedge transaction:
 - (1) The profit and loss generated between the exchange cost recorded by the Company and the transaction of financial derivatives performed shall be used as a basis for performance evaluation.
 - (2) To sufficiently control and present the appraisal risk of the transaction, the Company adopts the monthly appraisal method to evaluation the profit and loss.
2. Special purpose transaction: the profit or loss actually generated is used as a basis for the performance evaluation, and the financial personnel shall prepare reports on the parts held periodically on a monthly basis for submission to the management level for reference.

(VI) Establishment of contract total price and loss upper limit

1. Contract total price

- (1) Hedge transaction: The overall hedge contract total balance amount of the Company at any time shall not exceed the hedge demands derived from the recognition of the foreign currency guarantee and substantive transaction in principle.
 - (2) Special purpose transaction: For the predictions based on the market change status, the Financial and accounting department of Administration Division shall establish strategies according to the approval of the financial affairs authorization rules and standards, and shall prepare transaction detail table on a monthly basis for submission to the senior supervisors authorized by the Board of Directors and reports thereof, and it shall be reported in the Board of Directors meeting by the authorized personnel or the supervisor designed.
2. Establishment of upper limit of loss
- (1) Hedge transaction: The loss upper limit of individual contract shall be 20% of the individual contract price, and the entire contract loss upper limit shall not exceed 20% of the net value of the Company of the latest session audited and approved by CPA as the upper limit.
 - (2) Transaction of special purpose: The loss upper limit of individual contract shall be 5% of the individual contract price, and the entire contract loss upper limit shall not exceed 10% of the net value of the Company of the latest session audited and approved by CPA as the upper limit.
 - (3) Where the aforementioned loss exceeds the upper limit, it may be reported to the Board of Directors as a special case for approval, followed by execution thereof.

II. Risk management procedure

- (I) Trust risk management: The market changes due to various factors, which can easily cause operating risks for financial derivatives; therefore, the market risk management shall be performed according to the following principles:
 1. Transaction counterparty: Shall be based on domestic and international well-known financial institutes. In addition, where the financial product of transaction is a special product of a communist country, then trust risk hedge plan shall be established, which shall be submitted to the Chairman for approval first before performing the transaction.
 2. Transaction products: Shall be limited to products offered by domestic and international well-known financial institutes.
 3. Transaction amount: The non-write off transaction amount of one identical transaction counterparty shall not exceed USD 100 million, provided that the transaction approved by the President/Chairman shall be exempted from such restriction.
- (II) Market risk management: Shall be based on the public foreign exchange transaction market provided by the bank.

- (III) Liquidity risk management: To ensure the market liquidity, during the selection of financial products, it shall be based on the ones with high liquidity (can be squared in the market at any time), and the financial institute entrusted for transaction shall have sufficient information and the ability to perform transaction in any market at any time.
 - (IV) Cash flow risk management: To ensure the stability of the operation fund financing of the Company, the fund source for the Company to engage in derivative transactions shall be limited to its own funds, and the operating amount shall consider the fund demand expected for the cash income and expenditure in the next three months.
 - (V) Operation risk management
 - 1. Shall comply with the authorized limit of the Company, the operation process and the incorporation of the internal audit operation in order to prevent operation risks.
 - 2. The transaction personnel engaging in derivatives and the operators in confirmation and settlement shall not be the same.
 - 3. The risk evaluation, monitoring and control personnel shall be of different department from the ones of the personnel described in the preceding paragraph, and shall report to the Board of Directors or the senior supervisor not responsible for the transaction or the decision responsibility on that part.
 - 4. The part for the financial derivative transaction shall be evaluated daily, and the daily evaluation report shall include the actual and predicted values related to profit and loss, which shall be submitted to the supervisor of Administration Division for approval; in case of special conditions, the supervisor of Administration Division may report to the President, and the monthly summarized evaluation report shall be submitted to the senior supervisor authorized by the Board of Directors for approval.
 - (VI) Legal risk management: Documents signed by financial institutes shall only be reviewed by legal consultants before the documents are officially signed in order to prevent legal risks.
- III. Internal audit system: Internal auditors shall understand the properness of the internal control of derivative transactions and shall audit the compliance status of the derivative transaction handling procedure adopted by the transaction departments and analyze the transaction cycle on a monthly basis as well as prepare audit reports; in case of discovering major violations, written notifications shall be provided to the Audit Committee.
- IV. Periodic evaluation method and abnormality handling condition:
- (I) Supervision and management principle of Board of Directors:
 - 1. Specifying senior supervisors to be aware of the supervision and control of derivative transaction risks at all time.
 - 2. Periodically evaluating whether the performance of derivative transactions comply with the predefined operation strategy and whether the risk borne is within the acceptable range of the Company.
 - (II) Senior supervisors authorized by the Board of Directors shall manage the transaction of derivative products according to the following principles:

1. Periodically evaluate whether the risk management measures currently used is appropriate and handle according to these handling procedures and the financial affairs authorization management rules and standard established by the Company, and report to the Board of Directors periodically.
2. Supervise the transaction and profit or loss conditions; in case of discovering abnormalities, shall adopt necessary countermeasures and report to the Board of Directors; the Board of Directors shall be attended by independent directors to express their opinions.

Where the Company engages in derivative transactions and authorizes relevant personnel for handling according to the financial affairs authorization management rules and standard, reports to the latest board of director meeting shall be made after the event.

- V. Matters to be recorded at the financial derivative memorandum book: When the Company engages in derivative transactions, memorandum book shall be established and shall be recorded with the following matters:
- (I) Type of transaction
 - (II) Amount of transaction
 - (III) Approval date of Board of Directors
 - (IV) Matters for careful evaluation according to Item 4 of Subparagraph 5 of Paragraph 2 of this Article, Item 2 of Subparagraph 1 and Item 1 of Subparagraph 2 of the previous Paragraph.

Article 10. Procedures for handling mergers and consolidations, splits, acquisitions, and assignment of shares

- I. Evaluation and operation procedure
 - (I) Prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. Nevertheless, where a public company conducts a merge between its subsidiaries with 100 percent of issued shares or total capital directly or indirectly held, the obtaining of the aforementioned opinion on reasonableness issued by experts may be exempted.

- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in preceding subparagraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.
- II. Date of Board of Directors Meeting: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors Meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- III. Prior non-disclosure undertaking: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- IV. Principle for establishing and altering share exchange ratio or acquisition price: Unless under the below-listed circumstances, the share exchange ratio or acquisition price shall not be altered, and shall stipulate the circumstances permitting alteration in the contract:
- (I) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - (II) An action, such as a disposal of major assets, that affects the company's financial operations.
 - (III) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - (IV) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - (V) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

- (VI) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- V. Content required for contract: The contract shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
 - (I) Handling of breach of contract.
 - (II) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (III) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (IV) The manner of handling changes in the number of participating entities or companies.
 - (V) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (VI) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- VI. Where number of participating companies changes: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- VII. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraph 2, Paragraph 3 and Paragraph 6 of this Article.
- VIII. Preservation of written records: When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference.
 - (I) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - (II) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.

- (III) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- IX. Information report: When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.
- X. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Paragraphs 8 and 9.

Article 11. Control procedures for subsidiaries

- I. Subsidiary shall establish the “Handling procedure for acquisition or disposal of assets”, and shall handle according these procedures.
- II. Except for the assets purchased by a subsidiary for business uses, the real properties and valued securities invested not for business uses, the limit shall be as follows:
 - (I) The total amount of real properties acquired not for business use shall not exceed 150% of the paid-in capital of the subsidiary.
 - (II) The total amount of valued securities acquired shall not exceed the net value of the subsidiary.
 - (III) The total amount of individual valued security acquired shall not exceed 60% of the net value of the subsidiary.
- III. Subsidiary shall prepare the detail table for the financial derivative transactions performed in the previous month before the fifth day of each month and shall submit it to the Administration Division of the Company for review; in addition, on the date when the event of special public announcement and report under Article 12 occurs, notice to the Administration Division shall be made in order to facilitate the Company in executing the obligations of public announcement and report on behalf of the subsidiary.
- IV. Subsidiary shall perform self-inspection on the compliance status of the handling procedure for derivative transactions and shall prepare written reports; in case of discovering major violations, written notice to the Audit Committee shall be made.

Article 12. Public information disclosure procedure

- I. General public announcement and report:
 - (I) Time limit of public announcement and report time limit: Before 10th day of each month.
 - (II) Content of public announcement and report: The status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies.
- II. Special public announcement and report:

- (I) Time limit of public announcement and report: Within 2 days commencing immediately from the date of occurrence of the event.
- (II) Items required for public announcement and report as well as the standards for public announcement and report
 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of domestic money market funds issued by securities investment trust enterprise.
 2. Merger, demerger, acquisition, or transfer of shares.
 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
 4. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount reaches one of the following:
 - (1) For a public company with paid-in capital less than NT\$ 10 billion, the transaction amount is more than NT\$500 million.
 - (2) For a public company with paid-in capital more than NT\$ 10 billion, the transaction amount is more than NT\$1 billion.
 5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is more than NT\$500 million.
 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1) Trading of government bonds.
 - (2) Trading of bonds under repurchase/resale agreements, or subscription or buyback of domestic money market funds issued by securities investment trust enterprise.

The amount of transactions above shall be calculated as follows:

 - (A) The amount of any individual transaction.
 - (B) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - (C) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

(D) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

7. Where any of the following circumstances occurs with respect to a transaction that public announcement and report are made in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:
- (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.

III. Obligation for public announcement and report on behalf of subsidiary

- (I) Information required to be publicly announced and reported in accordance with the provisions these regulations by a subsidiary is not itself a public company in Taiwan shall be reported by the Company.
- (II) The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Item 5 of Subparagraph 2 of Paragraph 2 of this Article requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

- IV. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days from the date when such matter is known.

Article 13. Preservation of relevant information

Where the Company acquires or disposes assets, relevant contracts, meeting minutes, memorandum books, appraisal reports, opinions of CPA, lawyers or security traders shall be preserved in the Company; unless otherwise specified in the laws, such documents shall be preserved for at least five years.

Article 14. Penalty

Relevant personnel violating these handling procedures shall be reported according to relevant personnel management rules of the Company and penalties shall be imposed according to the severity of violations.

Article 15. After these handling procedures are approved by the Board of Directors, they shall be submitted to the Audit Committee and to the shareholders' meeting for agreement, followed by implementation thereof; same principle shall be applied to amendments thereof.

The establishment or amendment of these handling procedures shall be agreed by more than 1/2 of the entire members of the Audit Committee, and shall be submitted to the Board of Directors for resolution.

In case where the procedures are not agreed by more than 1/2 of the entire members of the Audit Committee, it may be agreed by more than 2/3 of the entire directors for implementation, and the meeting minutes of the board of director meeting shall be recorded with the resolution of the Audit Committee

The total members of Audit Committee and the entire Directors described in the preceding paragraph shall be calculated based on the actual valid members and directors.

Article 16. These handling procedures was established in May 2008, the first amendment was made in August 2009, the second amendment was made in August 2010, the third amendment was made in August 2011, the fourth amendment was made in June 2012, the fifth amendment was made in June 2013, the sixth amendment was made in June 2014, and the seventh amendment was made in June 2017.

Appendix 4

Procedure for Transactions between Enterprise Groups, Specific Companies and Related Parties

Article 1 The Company has established these Procedures to govern the Company's financial and business transactions between group enterprises, specific companies, affiliated enterprises, and related parties to safeguard the Company's interests, while protecting its shareholders.

Article 2 These Procedures apply to group enterprises, specific companies, affiliated enterprises, and related parties who have financial or business dealings with the Company.

The term "group enterprise" and "specific companies" as used in the preceding paragraph are based on the definition of "affiliated enterprises" and "specific companies" prescribed in the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings", "Standards for Determining Unsuitability for TPEX Listing of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX" and "Taipei Exchange Supplemental Rules Governing Applications by Group Enterprises for TPEX Listing of Stock".

"Affiliated enterprises" as referred to in Paragraph 1 are in accordance with the "affiliated enterprises" stipulated in Chapter 6-1 in the Company Act. The term "related parties" are based on the definition of IAS 24 - Related Party Disclosures and Article 18 in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" regarding related parties.

Article 3 When the Company has financial dealings with a group enterprise, specific company, affiliated enterprise, or related party, due to business environment or other factors, it shall be handled in accordance with the following:

1. Financing: In accordance with Article 15 of the Company Act and the Company's "Operating Procedures for Loaning Funds to Others".
2. Endorsements/Guarantees: In accordance with the Company's "Operating Procedures for Endorsements/Guarantees".
3. Asset transactions: In accordance with the "Procedures for Acquisition or Disposal of Assets" formulated by the Company.

Article 4 Business between the Company, a group enterprise, specific company, affiliated enterprise, and related party are handled in accordance with the following:

1. Sales transactions:
 - (1) Price setting: The sales price shall be determined based on the general market price or the Company's pricing discretion. However, it shall not be lower than the best price set by the Company.
 - (2) Transaction terms: These shall be handled by both parties in accordance with general business practices based on the good faith principle and with reference to the Company's

- transaction terms with customers.
2. Procurement transactions:
 - (1) Price setting: The purchase price is determined based on the general market price. Where there is no market price, the price will be determined by both parties according to the good faith principle.
 - (2) Transaction terms: These shall be handled by both parties in accordance with general business practices and with reference to the Company's transaction terms with suppliers.
 3. Other transactions: Handled in accordance with the Company's related regulations and with reference to general business practices.
 4. Transaction process: Handled in accordance with the Company's internal control system and relevant regulations.
 5. Account reconciliation: By the end of each month, the accounting personnel of both the Company and its affiliated enterprises shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

Article 5 If the Company's group enterprises, specific companies, affiliated enterprises, or related parties are the Company's investment subsidiaries, the chairperson is authorized to grant preferential treatment or relaxation accordingly to the prices and collection periods of business transactions during the initial period of their business so as to facilitate the operation and capital adjustment of the subsidiary.

Article 6 A managerial officer of the Company may not concurrently serve as a managerial officer of any affiliated enterprise of the Company, and shall not operate the same type of business as the Company, either on the officer's own behalf or with another party, unless otherwise approved by a resolution of the board of directors. The division of powers and responsibilities between the Company and its affiliated enterprises with respect to personnel management shall be clearly identified, and personnel transfers between the two shall be avoided. However, where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

Article 7 These Procedures, and any amendments to them, shall enter into force after they have been adopted by the board of directors.

Electoral Method for Director

- I. Unless otherwise stipulated in relevant laws or charters, the election of the Company's directors should follow the Method.
- II. The selection and election of the Company's directors should take into consideration the general configuration of the Board. The composition of the Board member should be diverse and be able to provide appropriate and diverse guidelines for its operation, type of operation, and development. The following two dimensions should be incorporated at least:

- (i) Basic conditions and values: Sex, age, nationality, and culture
- (ii) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills and experiences of the industry.

Members of the Board should possess the basic knowledge, skills, and competencies to perform their duties and the general required abilities are as follows:

- (i) The judgment of operation
- (ii) The analytic ability of accounting and finances
- (iii) The management ability
- (iv) The ability to deal with crises
- (v) The knowledge of the industry
- (vi) The view for the international market
- (vii) The ability to lead
- (viii) The ability to make decisions

More than half of the seats of the Board should not be served by people that are spouses or relatives with the second degree of kinship.

The Company is entitled to adjust the constitution of the member of the Board according to the results of the performance evaluation.

- III. The qualifications of the Company's independent directors should comply with the provisions in the *Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies*.

The selection and election of the Company's independent directors should comply with the provisions in the *Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies* and [*Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies*](#).

- IV. Following Article 192-1 of the Company Act, the election of the Company's independent directors should adopt the candidate nomination system and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The elections for independent directors and non-independent directors should be held concurrently with separate vote counts. The candidate with the higher votes wins and is voted the independent or non-independent director. Should there be a tie in voting between two or more people and the number of candidates exceeds the quorum, the candidates with the same vote count should draw to determine the result. The chairman is entitled to draw for the absent candidate.

If a director resigns because of a particular reason, rendering the number of the director less than five, the Company should hold an election in the next Shareholders' Meeting. However, if the vacancy of the Board reaches one-third of the seats stipulated in the chapter, the Company should

- convene a Special Shareholders' Meeting to hold an election within 60 days starting from the date on which the incident takes places. If an independent director resigns because of a particular reason, rendering the number of the independent director less than that stipulated in the provisions of competent authorities or charters, an election should be held in the next Shareholders' Meeting. When all of the independent resign from duty, the Company should convene a Special Shareholders' Meeting to hold an election within 60 days starting from the date on which the incident takes places.
- V. The election for the Company's directors follows Article 198 of the Company Act and adopts the cumulative and open voting system. Each share has the corresponding vote for the number of directors to be voted, the votes can either be put on one candidate or distributed to several candidates.
- VI. The shares shareholders represent are based on the Company's list of shareholders.
- VII. The Company should make ballots that correspond with the number of directors to be elected and put the number of votes on them. The ballots are distributed to present shareholders at the Shareholders' Meeting. The election is an open election and shareholders' attendance certificate numbers should be printed on the ballots for identification.
- VIII. The chairman should appoint several supervisors and counters to handle related tasks. The supervisor should possess the identity of a shareholder. The ballot box should be prepared by the Company and be opened by the supervisors to the shareholders to see before voting.
- IX. Ballots are deemed invalid if they are:
- (i) not standard ballot according to the Method.
 - (ii) cast into the ballot box blank.
 - (iii) illegible (beyond recognition) or altered.
 - (iv) when the candidate is a shareholder and the account name or shareholder's number does not match the Company's list of shareholders; when the candidate is not a shareholder and the name or the identification number is found to be unmatched.
 - (v) written with words other than the candidate's account name (name) or shareholder's number (the identification number) and the allotted number of votes.
 - (vi) not printed with the candidate's account name (name) or shareholder's number (the identification number).
 - (vii) printed with two or more than two candidates.
- X. Vote count should be conducted immediately after voting and the results should be publicly announced on site, including the list of elected directors and their number of votes.
- XI. Any uncovered matters of the Method are subject to the Company Law, the Corporate Charter, and other related laws and stipulations.
- XII. The Method has been ratified, implemented, and amended with the Board's resolution.
- XIII. The Method was stipulated on June 26, 2008. The 1st amendment was on October 16, 2009, the 2nd amendment was on June 9, 2015.

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

- I. As of the end date (March 2, 2021) of transfer of this Shareholders' Meeting, the Company's paid-in capital is NT\$6,657,285,000 and the number of shares issued is 665,728,500. According to Article 26 of the Securities and Exchange Act, the minimum number of shares to be held by all directors should be 21,303,312.
- II. As of the end date (March 2, 2021) of transfer of this Shareholders' Meeting, the shareholding status of all of the Company's directors is as follows:

Title	Account name	Number of shares	Shareholding ratio %
Chairman	Jau-Yang Ho	4, 865, 313	0. 73%
Director	Beyond PV	1, 000	0. 00%
Representative of Beyond PV	Chi-Wen Chen	0	0. 00%
Representative of Beyond PV	Wei-Lun Lu	0	0. 00%
Independent director	Kuo-Shih Huang	0	0. 73%
Independent director	Wei-Ting Liu	4, 865, 313	0. 73%
total		4,866,313	0.73%

Note:

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

Appendix 7

Other Explanation Information

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

2. Information on remuneration of employees and directors:

Not applicable, because the Company did not distribute remuneration for employees and directors in 2020.