

CMMT MATERIALS TECHNOLOGY CORP.

2018 Annual Shareholders' Meeting Minutes

Time : 9:00 a.m., June 22, 2018

Place : No.12, Zhongxin E. Rd., Xinshi Dist., Tainan City

(Audio Visual Conference Hall at Tree Valley science center)

Attendance: Attending shareholders represent 369,169,707 shares in total(including the electronic attending shares of 56,884,322 shares), accounted for 55.45% of the total number of 665,728,500 shares of the Company already issued

Attended by: Jau-Yang Ho, Chairman 、Chun-Hsiung Chen, Vice Chairman 、Chi-Pan Liang, Director

Chairperson: Jau-Yang Ho, Chariman

Recorded by: Fang-Lu Lin

1.The Chairman Calls the Meeting to order

2.Chairman's Address : (omitted)

3.Report Items

- (1)To report the business of 2017 (please refer to Appendix 1).
- (2)2017Audit Committee's review report (please refer to Appendix 2).

4.Proposed Resolutions

Case 1. (Proposed by the Board of Directors)

Case Description : 2017 Business Report & Financial Statements Report

Explanation :

- 1. The Company's 2017 annual individual and consolidated financial statements, including the balance sheet, composite income sheet, statement of changes in equity, and statement of cash flows, have been completed and are commissioned to accountants Cheng, Ming-hui and Huang, Shu-jie from Deloette Taiwan to issue and archive relevant audit reports.
- 2. Refer to Appendix 1 and Appendix 3 for business reports, audit reports issued by accountants, and the proceeding financial statements.
- 3. Please confirm and acknowledge.

Resolution : The number of votes of attending shareholders during the resolution:

369,169,707 votes (including the electronic voting of 56,884,322votes)

Number of approval votes: 335,798,463 votes

(including the electronic voting of 24,412,173 votes)

Number of disapproval votes: 348,304votes

(including the electronic voting of 348,304 votes)

Number of invalid votes: 0

Number of abstention votes/no votes: 33,022,940 votes

(including the electronic voting of 32,123,845 votes)

The number of approval votes accounts for 90.96% of the total number of votes of attending shareholders

This case is approved accordingly after the voting of the shareholders.

Case 2. (Proposed by the Board of Directors)

Case Description : 2017 Appropriation of profit & loss

Explanation :

1. 2017 Appropriation of Profit & Loss:

CMMT Materials Technology Corp.
2017 Appropriation of Profit & Loss

In New Taiwan Dollars

Item	Amount
The initial unappropriated retained earnings	\$4,016,062,786
Current net (lost) profits (EPS-2.18/share)	(1,226,260,335)
Determine a 10% legal reserve	0
Determine a special legal reserve (note)	<u>(43,251,405)</u>
Current distributable profits	2,746,551,046
Items to be allocated	
Shareholders' cash dividend	0
The end unappropriated retained earnings	\$2,746,551,046 =====

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 legal reserve of NTD43, 251, 405.

Chairman : Ho-Jau Yang President : Ho-Jau Yang Accounting Officer : Yu- Wei Huang

- The net loss of 2017 is NT 1,226,260,335 and we plan not to issue shareholder dividends.
- Please confirm and acknowledge.

Resolution : The number of votes of attending shareholders during the resolution:

369,169,707 votes (including the electronic voting of 56,884,322 votes)

Number of approval votes: 335,783,692 votes

(including the electronic voting of 24,397,402 votes)

Number of disapproval votes: 368,075votes

(including the electronic voting of 368,075 votes)

Number of invalid votes: 0

Number of abstention votes/no votes: 33,017,940 votes

(including the electronic voting of 32,118,845 votes)

The number of approval votes accounts for 90.96% of the total number of votes of attending shareholders

This case is approved accordingly after the voting of the shareholders.

5.Matters for Discussion

Case 1.(Proposed by the Board of Directors)

Case Description : To conduct the issuance of cash capital increase through new common shares to sponsor the issuance of global depositary receipts.

Explanation :

1. To respond to the capital need for the future development of the Company and enhance the competitiveness of the Company, we intend to propose to the shareholders' meeting for authorizing the Board to carry out cash capital increase by issuing ordinary shares to participate in the issuance of GDR in due course (with a limit of up to 200,000,000 ordinary shares) according to the financial market condition and the capital needs of the Company then; and propose to the shareholders' meeting for authorizing the Board to issue the shares within the aforesaid limit at once or separately. Meanwhile, we will evaluate the needs of overseas markets of issuance and shareholders' funds. The original shareholders will forfeit their right to purchase shares and allocate all of them for the purpose of the overseas issuance of GDR. The Board will be in charge of relevant issuance matters.
2. Except for the 10% to 15% of the number of the issued shares reserved for subscription by employees of the Company according to the law, we intend to propose to the shareholders' meeting that the remaining 85% to 90% shall be fully allocated for public issuance according to Article 28-1 of Securities Exchange Act, and appropriate to the original marketable securities for participating the issuance of GDR. As for shares that are not purchased or insufficient purchase, the Board is authorized to appoint persons to purchase the shares or participate in the issuance of the original marketable securities of GDR.
3. Rights and obligations of the newly issued shares Rank pari passu with the ordinary shares originally issued.
4. The Company initiated a capital increase by cash and issued ordinary shares to participate in the issuing price of GDR. According to Article 9 of the "Self-rule Regulations on Company Raising and Issuing Marketable Securities Guided and Issued by the Members of Taiwan Securities Association," the issuing price shall not be less than the closing price of the ordinary shares of the Company quoted from the concentrated trading market on the pricing date, or 90% of average price of the share derived from the simple arithmetic average calculated by the closing price of the ordinary shares of the Company quoted on the 1st, 3rd or 5th business day prior to the pricing date less stock grants (after rights and dividends); and the issuance price of GDR shall not be less than its nominal value after conversed into the price of per ordinary share. In case of changes are made to the relevant domestic laws, the Company should comply with these changes and adjust the pricing method. Regarding the high incidence of short-term fluctuation in share prices, the Company authorized the Board to consult peg the price in reference to conditions of the global capital, current domestic market price, and the general status of subscription to make it more acceptable for overseas investors.

5. If such limit is issued in full, the number of shares issued shall accounting for 23.10% of the capital shares “after” the capital increase. The effects of the capital increase are expected to enhance the Company's competitively and benefit the shareholders. The pricing method of the issuing price of GDR this time is based on the fair market price of the Company's ordinary shares in the domestic stock exchange market. Shareholders are required to purchase the Company's ordinary shares at the price that is close to the issuing price of the GDR. No major impacts should be done to the shareholders from this since they do not assume the risk of exchange and liquidity.
- 6.Utilization of the funds from the capital increase : To increase the working capital, or in response to the usages require by long-term development plan of the Company.
- 7.The fund-raising project primarily includes temporary/actual issue price, issue number of shares, planning items, raising amount, expected progress, and expected efficacy may occur. All other matters related to the issuance project are proposed to the shareholders’ meeting for approval, and propose to authorize the Board to adjust, amend, and carry out according to the market condition; if the competent authority instruct to amend or if it is required to make changes to such plan according to operation evaluation or the objective environment, authorize the Board full discretion for handling.
- 8.After submitted to the competent authority for approval, it is intended that the chairman shall otherwise determine the record date for shares subscription, payment period and the record date for the capital increase related to the issue for the fund-raising project.
9. To coordinate the Company's plan of issuing ordinary shares to participate in the issuance of GDR in order to increase capital by cash, the Company plans to proffer to the Shareholders' Meeting to authorize the chairman or his/her appointer to sign all relevant regarding the issuance of the GDR and handle related matters.
10. For matters that are not mentioned in the preceding paragraphs, the chairman should have the right of final ruling.
11. Submitted for discussion.

Resolution : The number of votes of attending shareholders during the resolution:

369,169,707 votes (including the electronic voting of 56,884,322votes)

Number of approval votes: 312,639,171 votes

(including the electronic voting of 1,252,881 votes)

Number of disapproval votes: 23,519,606votes

(including the electronic voting of 23,519,606votes)

Number of invalid votes: 0

Number of abstention votes/no votes: 33,010,930 votes

(including the electronic voting of 32,111,835votes)

The number of approval votes accounts for 84.69% of the total number of votes of attending shareholders

This case is approved accordingly after the voting of the shareholders.

Case 2. (Proposed bythe Board of Directors)

Case Description : To conduct the issuance of Restricted Employee shares

Explanation :

1. With the bid to reward excellent employees and reduce brain drain, the Company plans to stipulate

2018 Issuing Method of Restricted Employee Shares for Paid Purchase (hereinafter referred to as “the Method”) in accordance with Paragraph 8 of Article 267 of the *Company Act* and the *Criteria Governing the Offering and Issuance of Securities by Foreign Issuers*.

2. The details of the restricted employee shares planned to be issued are as follows:

- (1) Issue price: NTD 6 per share, paid issuance
- (2) Total amounts (shares) of issuance: NT\$10 par value, a total of 20,000,000 common shares 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 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.

(3) Conditions:

a. Vesting conditions: Employees who subscribed to New Restricted Employee Shares in accordance with the Measures continued to work on the following vested terms from the date of grant, made good service codes, had not violated the company’s labor contract, work rules or internal regulations, and had their terms expire before the vested deadline expires and with annual individual performance appraisal graded B and above. New shares will be received respectively on the basis of the following schedule and the proportion of shares subscribed.

- (a) One year vested: 30% of shares subscribed
- (b) Two year vested: 30% of shares subscribed
- (c) Three year vested: 40% of shares subscribed

For managers, in addition to the requirements of the preceding paragraph, the vested ratio must also be determined by their prior year performance upon vested period according to the following conditions:

- (a) Achieve profit target: ratio of subscribed shares of each vested term x 100%
- (b) Less than profit target and no loss: ratio of subscribed shares of each vested term x 80%
- (c) Do not meet the aforementioned two statements, but EBITDA is positive 50%: ratio of subscribed shares of each vested term x 50%

b. Issued Item : Common Stock

c. Restricted rights before employees meet the vesting conditions:

- (a) Before the vested conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of New Restricted Employee Shares that they subscribe to in accordance with the Measures.
- (b) Restriction on Shareholders (subscription) stock dividends: New Restricted Employee Shares issued by the Measures may participate in allotment, interest-bearing, cash-increment and share-holding prior to the subscription and before reaching the vested conditions.
- (c) During the vest period, if the company carried out a capital reduction, New Restricted Employee Shares 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 vested condition is fulfilled; if the employee does not meet the vested condition, all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price.
- (d) After New Restricted Employee Shares were subscribed but the vest condition has not

been fulfilled, the stocks should be entrusted to the trust depository institution. Employees may not request return from the trustee for any reason or method °

- (e) Before vest condition is 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 depository institution to exercise °

(4) Qualification requirements for employees:

(1) Official Employees starts working before New Restricted Employee Shares Grant day. The actual implementation of this measure depends on the number of employees who subscribe to New Restricted Employee Shares pursuant to the present Measures, and the factors, such as seniority, position, grade, performance, overall contribution, special merit or other management needs, will be included. Consideration of the company's operational needs and business development strategies are reviewed by the board of directors and submitted to the board of directors for resolution; managers and directors with employee status should first be approved by the Compensation Committee.

(2) The company has issued the employee stock option certificate in accordance with the first paragraph of Article 56(1) of the disposal criteria that cumulative number of shares subscribed by the single option holder, and the total amount of New Restricted Employee Shares 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 disposal criteria, 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 central governing agencies, the total amount of a single employee's employee share option certificate and New Restricted Employee Shares may not be limited by the percentage of issued shares as mentioned above.

- (5) The reason why it is necessary to issue restricted stocks for employees: 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 amount、dilution of EPS and other factors affecting shareholder's equity and other factors affecting shareholder's equity:

a. Calculated expense amount :

Possible expenditure of employee bonus shares was calculated based on NT\$10.90/share (2018/4/25 closing price, i.e. the day before the sending out the board meeting notification.), and the estimated cost of spending is approximately NT\$98,000; based on the defined vest period, and vest condition, apportionment of annualized expenses after issuance in 2018, 2019, and 2020 will be NT\$ 29,400 (Thousand), NT\$ 29,400(Thousand) and NT\$ 39,200(Thousand) respectively.

b. Dilution of EPS and other factors affecting shareholder's equity :

Based on the current number of issued shares of 665,728,500 shares of the Company and the expected 2007 cash inflows to issue common shares to participate in the issuance of overseas depository receipts of 200,000,000 shares, the annual dilution of earnings per share after the issuance is NT\$0.03, NT\$0.03 and NT\$0.04 in 2018, 2019 and 2020 respectively. The dilution of the company's earnings per share for the coming year is still limited, so there is no significant impact on the shareholders' equity.

- (7) Please refer to the Method for other relevant explanations (refer to Appendix 4).

(8) Any other matters that need to be specified:

- (1) This measure 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 Measures, and then he would issue the approval of Board of Directors.
- (2) If there are any unfinished matters in this Measure, 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. °

3、Submitted for discussion.

Resolution : The number of votes of attending shareholders during the resolution:

369,169,707 votes (including the electronic voting of 56,884,322votes)

Number of approval votes: 316,470,847 votes

(including the electronic voting of 5,084,557 votes)

Number of disapproval votes: 19,607,930votes

(including the electronic voting of 19,607,930 votes)

Number of invalid votes: 0

Number of abstention votes/no votes: 33,090,930 votes

(including the electronic voting of 32,191,835 votes)

The number of approval votes accounts for 85.73% of the total number of votes of attending shareholders

This case is approved accordingly after the voting of the shareholders.

Case 3 (Proposed by the Board of Directors)

Case Description : Corporate Charter amendment

Explanation :

1. In response to the operation, the Company offers to change the name of the Company to "Chen Mei Materials Technology Corp." (note: the change of the company name is ratified and archived by the Ministry of Economic Affairs on Jan. 29, 2018, reference No.: 107006014) and raise the amount of fixed capital. Therefore, some articles of the Corporate Charter should be amended.
2. The comparison of the articles of the Corporate Charter before and after amendment:

The comparison of the articles of the Corporate Charter before and after amendment

Amended Articles	Current Articles	Explanation
Article 1 The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “ <u>Chen</u> Mei Materials Technology Corp.”	Article 1 The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Chi Mei Materials Technology Corp.”	In response to company operation
Article5 The total capital amount of the Company shall be <u>twelve</u> billion New Taiwan Dollars (NT\$12,000,000,000), divided into <u>one point two</u> billion (1,200,000,000) shares, at a par value of ten New Taiwan Dollars (NT\$10) per share, and may be issued separately. <u>An amount of point six billion New Taiwan Dollar (NT\$600,000,000) out of the aforesaid</u>	Article5 The total capital amount of the Company shall be seven billion New Taiwan Dollars (NT\$7,000,000,000), divided into seven hundred million (700,000,000) shares, at a par value of ten New Taiwan Dollars (NT\$10) per share, and may be paid-up in installments.	In response to company operation

Amended Articles	Current Articles	Explanation
<u>capital is reserved to served as subscription warrants for employees, divided into sixty million shares at a par value of ten New Taiwan Dollars (NT\$10) per share and may be issued separately according to the resolution of the Board of Directors.</u>		
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, <u>on Jun 22,2018 for the fifteenth time.</u>	Article 28 These Article of Incorporation were enacted on May 9, 2005 and amended on Oct. 17, 2005 for the first time, on May 30, 2006 for the second time, on Oct. 20, 2006 for the third time, on Sep. 27, 2007 for the fourth time, on Mar. 26, 2008 for the fifth time, on Oct. 16, 2009 for the sixth time, on June 9, 2010 for the seventh time, on Oct. 8, 2010 for the eighth time, on Aug. 10, 2011 for the ninth time, on June 28, 2012 for the tenth time, on June 27, 2013 for the eleventh time, on June 6, 2014 for the twelfth time, on June 9, 2015 for the thirteenth time, on June 20, 2016 for the fourteenth time, and on Feb. 8, 2017 for the fifteenth time.	Add number of amendment and dates

3.Submitted for discussion.

Resolution : The number of votes of attending shareholders during the resolution:

369,169,707 votes (including the electronic voting of 56,884,322votes)

Number of approval votes: 335,802,710 votes

(including the electronic voting of 24,416,420 votes)

Number of disapproval votes: 351,068votes

(including the electronic voting of 351,068 votes)

Number of invalid votes: 0

Number of abstention votes/no votes: 33,015,929 votes

(including the electronic voting of 32,116,834 votes)

The number of approval votes accounts for 90.96% of the total number of votes of attending shareholders

This case is approved accordingly after the voting of the shareholders.

6.Election Items(Proposed by the Board of Directors)

Case Description : Directors Election

Explanation :

1. Company's board of directors shall have 5 to 9 directors (Including Independent Directors with the total numbers not less than three members or one-fifth of the total number of directors, director candidates are nominated).
2. Director Long-Jun, Lin, representative of CMC, resigned on November 9 2017 due to operational strategy. Independent director Zhung, Xio-gen resigned on March 19, 2018. Currently there are 5 directors (1 Independent director included).
3. To facilitate the company management, the Company plans to elect two directors (including 1

independent director). The list of candidates for directors was ratified and passed by the Board of Directors on May 4 2018. The details are as follows:

Nominee cat.	Name	Education	Current position	Experience	Shares held
Director	Mei-Li, Yeh	1. PhD., Peking niversity, China Guanghua school of management 2. MBA., Peking University, Guanghua school of management	1. CEO, Polaris Asset Management Corp. 2. Chairman, Young Jet Investment Corp. 3. Chairman, B&V Biopharma Co., Ltd. 4. Director, Chinese International Investment and Finance Association	1. Chairman, Concord Securities Group. 2. Founder, Polaris Securities Group 3. Director & Vice President, Polaris Securities 4. CEO, Forwin Securities Investment consulting company 5. Director, Taichung Bank Securities 6. Director, Vice Chairman, Champion Microelectronic Corp.	0
Independent director	Shih-Chuan, Tsai	1. PhD in Finance, Boston University, USA 2. Master of Science in Finance, National Taiwan University 3. Bachelor of Science in Finance, National Taiwan University	Professor, National Taiwan Normal University	1. Vice President, Taiwan Futures Exchange 2. Public-interest Director, Taiwan Futures Exchange 3. Associate professor, National Taiwan Normal University 4. Associate professor, Ling Tung University 5. Associate professor, Tamkang University 6. Adjunct lecturer, Boston University, USA	0

4. The term of directors will be start from June 22, 2018 to June 20, 2020 to fill the vacancy of the original term.

The election will be in accordance with Procedures for election of Directors of company.

5. Please conduct the election accordingly.

The result of the election: Elected list is as follows:

Job title	Shareholder Account No. or Identity Proof Document No.	Shareholder Account Name or Name	Votes received
Director	P2012XXXX8	Mei-Li, Yeh	335,489,631
Independent Director	F1228XXXX4	Shih-Chuan, Tsai	335,484,975

7. Other Proposals (Proposed by the Board of Directors)

Case Description : Act of canceling the non-compete restriction on manager

Explanation :

- 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."
- To solicit professionals of the industry to join the Company and its management, the Company plans to cancel the non-compete restriction on new directors.

3. The proposed cancelation of non-compete restriction on the candidate of director:

Name	Positions in other cooperation
Mei-Li, Yeh	1.Polaris Asset Management Co. Ltd. CEO 2. YOUNG JET INVESTMENT COMPANY LIMITED Chairman 3. B&V BIOPHARMA CO., LTD. Chairman 4.Chinese International and Finance Association President

4. Submitted for discussion.

Resolution : The number of votes of attending shareholders during the resolution:

369,169,707 votes (including the electronic voting of 56,884,322votes)

Number of approval votes: 335,716,611 votes

(including the electronic voting of 24,330,321 votes)

Number of disapproval votes: 397,072votes

(including the electronic voting of 397,072 votes)

Number of invalid votes: 0

Number of abstention votes/no votes: 33,056,024 votes

(including the electronic voting of 32,156,929 votes)

The number of approval votes accounts for 90.94% of the total number of votes of attending shareholders

This case is approved accordingly after the voting of the shareholders.

8.Extemporary Motions : None.

9.Meeting Adjourned : At 9:23AM of the same day, the Chairperson announces the dismissal of the meeting, and it was approved as proposed

【2017 Business Report】

I. 2017 Business Report:

(I) The results of implementation of the business plan

The decline of the price of POL remains because the panel industry was affected by the supply and demand of the market in 2017. The urge to lower the price is still pressing the sales market, resulting in our deficit in the 2017 revenue even though the actual revenue number of POL in 2017 slightly exceeds that of 2016. We believe the result is due to the competition of the general POL market.

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

In Thousands of New Taiwan Dollars; %

Item	2017	2016	Ration of increase/decrease (%)
Operating revenue	11,440,772	10,374,172	10.28
Operating gross loss	-749,112	-796,755	5.98
Operating net loss	-1,671,123	-1,606,238	-4.04
Annual net loss	-1,550,026	-1,483,862	-4.46
Gross loss ratio	-7%	-8%	25
Operating net loss ration	-14%	-16%	12.5

In Thousands of New
Taiwan Dollars

Item		2017	2016
Analysis of financial structure	Debt to asset ratio (%)	43.38	36.90
	Long-term fund to real-estate, factory, and equipment ratio (%)	118.90	134.85
Analysis of debt-paying structure	ROA (%)	-6.56	-7.86
	ROE (%)	-11.80	-11.44
Analysis of profitability	Ratio to paid-in capital (%)	Pre tax net loss	-25.28
	Net loss ratio (%)		-29.93
	After tax loss per share (NT\$)		-13.55
		-2.18	-2.88

The Company's 2017 net revenue is NT\$11.4 billion, which shows a 10.28% growth compared to last year's number. The annual net loss is NT\$1.55 billion, which is -13.5% of the revenue and shows a 4.46% decrease than last year's figure. The total capital of the Company is NT\$23.46 billion with the debt to total capital ration being 43.38%. The overall financial structure is still acceptable.

(III) Status of production and R&D

Attachment1

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

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

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

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

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

China's panel capacity has reached new heights in 2017 and harbors tremendous market prospects for POL manufacturers.

II. Domestic and foreign planning

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

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

Attachment1

(II) Projected sales number

The sales number is based on the panel production capacity of the Company's major clients plus the historical sales performance. A plethora of panel plants plunged into the panel production in 2018 and as the capacity rises, the market's need for POL grows substantially. On the other hand, CMMT's investment in a whole-process POL plant that includes front-end engineering grants CMMT a duty-free incentive. CMMT will carry on developing new clients in China and secure itself with an advantageous position in the Chinese POL market with the supplied general capacity. All in all, the sales number of CMMT's POL still possesses the momentum to strive.

(III) The Company's future strategy of development

The POL industry is the major-supported industry by China's policy. In response to different Chinese POL manufacturers announcing their new requirements of capacity, the Company's local-funded plant in Kunshan is expected to enter the capacity stage in the second season of 2017 at the earliest. With the advantage of the duty-free tax incentive, we will be able to meet the production requirements of local panel manufacturers promptly. Our scope will further cover big size TV, MNT, and other products and the expansion will be beneficial to the overall revenue and resurge of profits. The series of approvals of the Company's products expected to be coming from the Chinese clientele will boost the proportion of sales in China in 2017 and achieve the Company's long-term goal of distributing the proportion of sales.

Chairman Ho-Jau Yang

President Ho-Jau Yang

Accounting Officer YU-Wei Huang,

Attachment 2

Audit Report by the Audit Committee

The Board of Directors has made and reported the Company's 2017 financial statement, the operation report, and the plan of appropriation of profit and loss. The Audit Committee found no discrepancy between the reported documents and facts after verifying. The Audit Committee hereby produced and sent forth the report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

CMMT Materials Technology Corp. 2018 Shareholders' Meeting

Independent Director: Lou, Lai-huang

Independent Director: HSIAO-KEN CHUANG

Independent Director: Liu, Wei-ting

March 19, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chi Mei Materials Technology Corporation

Opinion

We have audited the accompanying financial statements of Chi Mei Materials Technology Corporation (the Corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 Corporation as of December 31, 2017 and 2016, 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 auditing standards generally accepted 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 Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant 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 judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's financial statement for the year ended December 31, 2017 are stated as follows:

Timing of Revenue Recognition

The Corporation's major source of revenue comes from the sale of polarizing film. This kind of revenue is mainly recognized when the significant risks and rewards of ownership of the goods are transferred to the customers upon delivery to carriers approved by the customers or to the designated destination. However, there remains a risk of revenue not being recorded in an appropriate period before the significant risks and rewards of ownership of the goods have been transferred to the customers where physical deliveries have not been fulfilled. As a result, we considered timing for revenue recognition as a key audit matter. Refer to Note 4 to the financial statements for detailed information on revenue recognition.

Our main audit procedures performed in respect of the above area include the following:

1. Considered the Corporation's accounting policy for revenue recognition;

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

2. Evaluated and tested the design and operating effectiveness of internal controls over revenue recognition;
3. Selected all samples of shipments before and after the year-end for a specific period of time and vouched for supporting evidence and records to ensure the accuracy of the timing of revenue recognition;
4. Evaluated whether the risks and rewards of ownership for the goods had been transferred.

Impairment Assessment of Property, Plant and Equipment (PP&E) and Intangible Assets

When an indication of an asset's impairment exists, management should perform an impairment assessment, which incorporates judgments based on assumptions about the future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied. Management's estimation about the recoverable amounts of PP&E and intangible assets is complicated and has significant uncertainty, especially in the assumptions surrounding the estimated discount rate and future expected cash flows, which depended on changing economic or market trends. Therefore, the impairment assessment of PP&E and intangible assets is identified as a key audit matter. Refer to Notes 4, 5, 12 and 14 to the financial statements for the details about PP&E and intangible assets.

We inquired of management and understood the process and basis by which management assessed assets for impairment assessment; and tested the effectiveness of the Corporation's internal control. We also challenged the assumptions underpinning the impairment assessment models, including the discount rates used, long-term growth rates and cash flow forecasts. This was achieved through the assistance of Deloitte valuation specialists critically assessing the discount rate and long-term growth rates applied by management and assessing the reasonableness of forecasted future cash flows by comparison to historical performance and future outlook.

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 Corporation'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 Corporation 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 Corporation'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 auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment 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 Corporation'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 Corporation'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 Corporation 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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.

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

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 for the year ended December 31, 2017 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hui Chen and Shu-Chieh Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2018

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

CHI MEI MATERIALS TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 27)	\$ 3,097,639	21	\$ 1,483,983	9
Accounts receivable, net (Notes 4, 5, 8 and 27)	1,037,473	7	1,373,054	8
Accounts receivable - related parties (Notes 4, 5, 8, 27 and 28)	1,587,599	10	3,184,599	20
Other receivables (Note 8)	156,278	1	98,949	1
Other receivables - related parties (Notes 8 and 28)	160,543	1	77,972	-
Inventories (Notes 4, 5 and 9)	1,528,086	10	1,587,974	10
Other current assets (Note 13)	<u>35,200</u>	<u>-</u>	<u>56,478</u>	<u>-</u>
Total current assets	<u>7,602,818</u>	<u>50</u>	<u>7,863,009</u>	<u>48</u>
NON-CURRENT ASSETS				
Investment account for using equity method (Notes 4 and 10)	2,777,071	19	3,337,830	21
Property, plant and equipment (Notes 4, 5, 11 and 28)	4,565,782	30	4,945,581	31
Other intangible assets (Notes 4 and 12)	30,808	-	22,077	-
Deferred tax assets (Notes 4, 5 and 21)	53,707	1	-	-
Other non-current assets (Note 13)	<u>49,423</u>	<u>-</u>	<u>46,495</u>	<u>-</u>
Total non-current assets	<u>7,476,791</u>	<u>50</u>	<u>8,351,983</u>	<u>52</u>
TOTAL	<u>\$ 15,079,609</u>	<u>100</u>	<u>\$ 16,214,992</u>	<u>100</u>

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 14, 26 and 27)	\$ 1,151,650	8	\$ 2,780,713	17
Short-term bills payable (Note 14)	100,000	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 27)	349	-	19,822	-
Accounts payable (Notes 15 and 27)	1,937,631	13	1,861,407	12
Accounts payable - related parties (Notes 15, 27 and 28)	139,587	1	350,260	2
Other payables (Note 16)	357,723	2	373,591	2
Other payables - related parties (Note 28)	5,346	-	2,791	-
Provisions - current (Notes 4 and 17)	12,197	-	3,380	-
Advance receipts - related parties (Notes 16 and 28)	18,283	-	646	-
Other current liabilities (Note 16)	<u>11,038</u>	<u>-</u>	<u>27,304</u>	<u>-</u>
Total current liabilities	<u>3,733,804</u>	<u>25</u>	<u>5,419,914</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4, 5 and 23)	-	-	82,759	1
Guarantee deposits	<u>75</u>	<u>-</u>	<u>85</u>	<u>-</u>
Total non-current liabilities	<u>75</u>	<u>-</u>	<u>82,844</u>	<u>1</u>
Total liabilities	<u>3,733,879</u>	<u>25</u>	<u>5,502,758</u>	<u>34</u>
EQUITY (Notes 4 and 19)				
Share capital				
Common shares	<u>6,657,285</u>	<u>44</u>	<u>5,157,285</u>	<u>32</u>
Capital surplus	<u>856,768</u>	<u>6</u>	<u>453,761</u>	<u>3</u>
Retained earnings				
Legal reserve	1,085,124	7	1,085,124	6
Special reserve	202,973	1	36,849	-
Unappropriated earnings	<u>2,789,804</u>	<u>19</u>	<u>4,182,188</u>	<u>26</u>
	<u>4,077,901</u>	<u>27</u>	<u>5,304,161</u>	<u>32</u>
Other equity	<u>(246,224)</u>	<u>(2)</u>	<u>(202,973)</u>	<u>(1)</u>
Total equity	<u>11,345,730</u>	<u>75</u>	<u>10,712,234</u>	<u>66</u>
TOTAL	<u>\$ 15,079,609</u>	<u>100</u>	<u>\$ 16,214,992</u>	<u>100</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
NET SALES (Notes 4 and 28)	\$ 8,297,621	100	\$ 9,642,524	100
COST OF SALES (Notes 9, 18, 20 and 28)	<u>8,555,844</u>	<u>103</u>	<u>10,063,596</u>	<u>104</u>
GROSS LOSS	(258,223)	(3)	(421,072)	(4)
UNREALIZED (REALIZED) GAIN ON TRANSACTION WITH SUBSIDIARIES AND ASSOCIATES	<u>(12,813)</u>	<u>-</u>	<u>57,435</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>(271,036)</u>	<u>(3)</u>	<u>(363,637)</u>	<u>(4)</u>
OPERATING EXPENSES (Notes 18, 20 and 28)				
Selling and marketing expenses	92,228	1	124,436	1
General and administrative expenses	133,830	2	127,894	2
Research and development expenses	<u>311,373</u>	<u>4</u>	<u>278,835</u>	<u>3</u>
Total operating expenses	<u>537,431</u>	<u>7</u>	<u>531,165</u>	<u>6</u>
OTHER OPERATING INCOME AND EXPENSES (Note 20 and 30)	<u>-</u>	<u>-</u>	<u>(33,870)</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(808,467)</u>	<u>(10)</u>	<u>(928,672)</u>	<u>(10)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 28)				
Other gains and losses	(174,372)	(2)	(31,285)	-
Finance costs	(17,583)	-	(8,047)	-
Share of profit or loss of subsidiaries	(507,440)	(6)	(609,706)	(6)
Other income	<u>145,263</u>	<u>1</u>	<u>31,920</u>	<u>-</u>
Total non-operating income and expenses	<u>(554,132)</u>	<u>(7)</u>	<u>(617,118)</u>	<u>(6)</u>
LOSS BEFORE INCOME TAX	(1,362,599)	(17)	(1,545,790)	(16)
INCOME TAX BENEFITS (Notes 4, 5 and 21)	<u>(136,339)</u>	<u>(2)</u>	<u>(61,869)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(1,226,260)</u>	<u>(15)</u>	<u>(1,483,921)</u>	<u>(16)</u>

OTHER COMPREHENSIVE LOSS

(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(43,609)	-	(299,353)	(3)
Share of other comprehensive loss of subsidiaries and associates	<u>(23)</u>	<u>-</u>	<u>(11,114)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(43,632)</u>	<u>-</u>	<u>(310,467)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (1,269,892)</u>	<u>(15)</u>	<u>\$ (1,794,388)</u>	<u>(19)</u>
LOSS PER SHARE (Note 22)				
Basic loss per share	<u>\$ (2.18)</u>		<u>\$ (2.88)</u>	
Diluted loss per share	<u>\$ (2.18)</u>		<u>\$ (2.88)</u>	

(Concluded)

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

CHI MEI MATERIALS TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total Equity
	Shares (In Thousand)	Common Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchanges Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2016	515,729	\$ 5,157,285	\$ 400,487	\$ 980,245	\$ 36,849	\$ 6,028,852	\$ 96,357	\$ 11,137	\$ 12,711,212
Appropriation of prior year's earnings									
Legal reserve	-	-	-	104,879	-	(104,879)	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(257,864)	-	-	(257,864)
Differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	-	-	3,062	-	-	-	-	-	3,062
Changes in equity of subsidiaries	-	-	50,212	-	-	-	-	-	50,212
Net loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	-	-	(1,483,921)
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(299,353)	(11,114)	(310,467)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	(299,353)	(11,114)	(1,794,388)
BALANCE AT DECEMBER 31, 2016	515,729	5,157,285	453,761	1,085,124	36,849	4,182,188	(202,996)	23	10,712,234
Appropriation of prior year's earnings									
Special reserve	-	-	-	-	166,124	(166,124)	-	-	-
Net loss for the year ended December 31, 2017	-	-	-	-	-	(1,226,260)	-	-	(1,226,260)
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(43,609)	(23)	(43,632)
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(1,226,260)	(43,609)	(23)	(1,269,892)
Issue of common shares for cash	150,000	1,500,000	403,007	-	-	-	-	-	1,903,007
Disposals of subsidiaries	-	-	-	-	-	-	381	-	381
BALANCE AT DECEMBER 31, 2017	<u>665,729</u>	<u>\$ 6,657,285</u>	<u>\$ 856,768</u>	<u>\$ 1,085,124</u>	<u>\$ 202,973</u>	<u>\$ 2,789,804</u>	<u>\$ (246,224)</u>	<u>\$ -</u>	<u>\$ 11,345,730</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,362,599)	\$ (1,545,790)
Adjustments for:		
Depreciation expenses	557,164	694,580
Amortization expenses	20,477	11,032
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(19,473)	26,148
Finance costs	17,583	8,047
Recognition of provisions	12,197	5,903
Interest income	(3,104)	(2,438)
Share of loss of subsidiaries	507,440	609,706
(Gain) loss on disposal of property, plant and equipment	-	(121)
Gain on disposals of subsidiaries	(1,303)	-
Write-down of inventories	(24,343)	138,515
Realized (unrealized) gain on the transactions with subsidiaries	12,813	(57,435)
Net loss (gain) on foreign currency exchange	318,793	(261,355)
Changes in operating assets and liabilities:		
Accounts receivable	1,814,092	303,850
Other receivables (including related parties)	(129,104)	(52,314)
Inventories	84,231	(144,933)
Prepayments	(7,441)	19,487
Other current assets	28,719	69,272
Accounts payable (including related parties)	(196,138)	93,909
Other payables	(351)	(73,493)
Provisions	(3,380)	(12,363)
Advance receipts - related parties	17,637	646
Other current liabilities	<u>(16,266)</u>	<u>(3,729)</u>
Cash generated from (used in) operations	1,627,644	(172,876)
Interest paid	(19,333)	(9,647)
Income tax paid	<u>(127)</u>	<u>(152,916)</u>
Net cash generated from (used in) operating activities	<u>1,608,184</u>	<u>(335,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment account for using equity method	(13,878)	-
Payments for property, plant and equipment	(95,258)	(201,812)
Proceeds from disposal of property, plant and equipment	-	484
Payments for intangible assets	(29,208)	(15,619)
Increase in prepayments for equipment	(96,274)	(41,942)
Interest received	<u>3,104</u>	<u>2,493</u>
Net cash used in investing activities	<u>(231,514)</u>	<u>(256,396)</u>

(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from short-term bank loans	\$ (1,751,891)	\$ 1,636,057
Proceeds from short-term bills payable	100,000	-
Proceeds from guarantee deposits received	-	10
Refunds of guarantee deposits received	(10)	-
Dividends paid to shareholders	-	(257,864)
Issue of common shares for cash	<u>1,903,007</u>	<u>-</u>
Net cash used in generated from financing activities	<u>251,106</u>	<u>1,378,203</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(14,120)</u>	<u>(19,215)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,613,656	767,153
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,483,983</u>	<u>716,830</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,097,639</u>	<u>\$ 1,483,983</u>

(Concluded)

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chi Mei Materials Technology Corporation as of and for the year ended December 31, 2017, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10 “Consolidated Financial Statements”. In addition, the relevant information required to be disclosed in the combined financial statements has all been disclosed in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

Very truly yours,

Chi Mei Materials Technology Corporation

By

Jau-Yang Ho
Chairman

March 19, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chi Mei Materials Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Chi Mei Materials Technology Corporation (CMMT) and its subsidiaries (collectively referred to as the Corporation), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 Corporation as of December 31, 2017 and 2016, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted 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 Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's consolidated financial statement for the year ended December 31, 2017 are stated as follows:

Timing of Revenue Recognition

CMMT's major source of revenue comes from the sale of polarizing film. This kind of revenue is mainly recognized when the significant risks and rewards of ownership of the goods are transferred to the customers upon delivery to carriers approved by the customers or to the designated destination. However, there remains a risk of revenue not being recorded in an appropriate period before the significant risks and rewards of ownership of the goods have been transferred to the customers where physical deliveries have not been fulfilled. As a result, we considered timing for revenue recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for detailed information on revenue recognition.

Our main audit procedures performed in respect of the above area include the following:

1. Considered CMMT's accounting policy for revenue recognition;

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

2. Evaluated and tested the design and operating effectiveness of internal controls over revenue recognition;
3. Selected all samples of shipments before and after the year-end for a specific period of time and vouched for supporting evidence and records to ensure the accuracy of the timing of revenue recognition;
4. Evaluated whether the risks and rewards of ownership for the goods had been transferred.

Impairment Assessment of Property, Plant and Equipment (PP&E) and Intangible Assets

When an indication of an asset's impairment exists, management should perform an impairment assessment, which incorporates judgments based on assumptions about the future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied. Management's estimation about the recoverable amounts of PP&E and intangible assets is complicated and has significant uncertainty, especially in the assumptions surrounding the estimated discount rate and future expected cash flows, which depended on changing economic or market trends. Therefore, the impairment assessment of PP&E and intangible assets is identified as a key audit matter. Refer to Notes 4, 5, 12 and 14 to the consolidated financial statements for the details about PP&E and intangible assets.

We inquired of management and understood the process and basis by which management assessed assets for impairment assessment; and tested the effectiveness of the Corporation's internal control. We also challenged the assumptions underpinning the impairment assessment models, including the discount rates used, long-term growth rates and cash flow forecasts. This was achieved through the assistance of Deloitte valuation specialists critically assessing the discount rate and long-term growth rates applied by management and assessing the reasonableness of forecasted future cash flows by comparison to historical performance and future outlook.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Corporation'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 Corporation 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 Corporation's financial reporting process.

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)
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 auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment 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 Corporation'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 Corporation'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 Corporation 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the 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.

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

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 for the year ended December 31, 2017 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.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hui Chen and Shu-Chieh Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 30)	\$ 4,497,296	19	\$ 4,341,520	21
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	-	-	167,266	1
Available-for-sale financial assets - current (Notes 4, 8 and 30)	-	-	12,028	-
Notes receivable, net (Notes 9 and 30)	484,392	2	-	-
Notes receivable - related parties (Notes 9, 30 and 31)	4,565	-	-	-
Accounts receivable, net (Notes 4, 5, 9 and 30)	3,062,933	13	2,979,938	14
Other receivables (Notes 9 and 30)	160,660	1	106,359	1
Other receivables - related parties (Notes 9 and 31)	12,422	-	5	-
Inventories (Notes 4, 5 and 10)	2,282,710	10	2,041,903	10
Other current assets (Note 15)	<u>1,192,073</u>	<u>5</u>	<u>827,578</u>	<u>4</u>
Total current assets	<u>11,697,051</u>	<u>50</u>	<u>10,476,597</u>	<u>51</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 5 and 12)	11,169,695	48	9,639,819	47
Goodwill (Notes 4 and 13)	8,056	-	8,056	-
Other intangible assets (Notes 4 and 14)	87,576	-	50,552	-
Deferred tax assets (Notes 4, 5 and 23)	56,502	-	-	-
Other non-current assets (Note 15)	<u>439,711</u>	<u>2</u>	<u>427,768</u>	<u>2</u>
Total non-current assets	<u>11,761,540</u>	<u>50</u>	<u>10,126,195</u>	<u>49</u>
TOTAL	<u>\$ 23,458,591</u>	<u>100</u>	<u>\$ 20,602,792</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 30)	\$ 3,813,259	16	\$ 3,451,626	17
Short-term bills payable (Notes 16 and 30)	100,000	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	349	-	19,822	-
Notes payable (Notes 17 and 30)	132,463	1	-	-
Accounts payable (Notes 17 and 30)	1,974,351	8	1,864,954	9
Other payables (Notes 18 and 30)	1,480,747	6	804,691	4
Other payables - related parties (Notes 30 and 31)	1,144	-	-	-
Current tax liabilities (Notes 4, 5 and 23)	435	-	436	-
Provisions - current (Notes 4 and 19)	9,564	-	1,647	-
Current portion of long-term bank loans (Notes 16 and 30)	2,639,833	11	1,345,181	7
Other current liabilities (Note 18)	<u>25,004</u>	<u>-</u>	<u>32,059</u>	<u>-</u>
Total current liabilities	<u>10,177,149</u>	<u>43</u>	<u>7,520,416</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Note 16 and 30)	-	-	-	-
Deferred tax liabilities (Notes 4, 5 and 23)	-	-	82,759	-
Guarantee deposits	<u>171</u>	<u>-</u>	<u>85</u>	<u>-</u>
Total non-current liabilities	<u>171</u>	<u>-</u>	<u>82,844</u>	<u>-</u>
Total liabilities	<u>10,177,320</u>	<u>43</u>	<u>7,603,260</u>	<u>37</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Notes 4 and 21)				
Share capital				
Common shares	<u>6,657,285</u>	<u>28</u>	<u>5,157,285</u>	<u>25</u>
Capital surplus	<u>856,768</u>	<u>4</u>	<u>453,761</u>	<u>2</u>
Retained earnings				
Legal reserve	1,085,124	5	1,085,124	5
Special reserve	202,973	1	36,849	-
Unappropriated earnings	<u>2,789,804</u>	<u>12</u>	<u>4,182,188</u>	<u>21</u>
	<u>4,077,901</u>	<u>18</u>	<u>5,304,161</u>	<u>26</u>
Other equity	<u>(246,224)</u>	<u>(1)</u>	<u>(202,973)</u>	<u>(1)</u>
Total equity attributable to the owners of CMMT	11,345,730	49	10,712,234	52
NON-CONTROLLING INTERESTS (Notes 4 and 21)	<u>1,935,541</u>	<u>8</u>	<u>2,287,298</u>	<u>11</u>
Total equity	<u>13,281,271</u>	<u>57</u>	<u>12,999,532</u>	<u>63</u>
TOTAL	<u>\$ 23,458,591</u>	<u>100</u>	<u>\$ 20,602,792</u>	<u>100</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
NET SALES (Note 4)	\$ 11,440,772	100	\$ 10,374,172	100
COST OF SALES (Notes 10, 20 and 22)	<u>12,189,884</u>	<u>106</u>	<u>11,170,927</u>	<u>108</u>
GROSS LOSS	<u>(749,112)</u>	<u>(6)</u>	<u>(796,755)</u>	<u>(8)</u>
OPERATING EXPENSES (Notes 20, 22 and 31)				
Selling and marketing expenses	224,416	2	230,258	2
General and administrative expenses	256,749	2	206,684	2
Research and development expenses	<u>440,846</u>	<u>4</u>	<u>338,671</u>	<u>4</u>
Total operating expenses	<u>922,011</u>	<u>8</u>	<u>775,613</u>	<u>8</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 34)	<u>-</u>	<u>-</u>	<u>(33,870)</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(1,671,123)</u>	<u>(14)</u>	<u>(1,606,238)</u>	<u>(16)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 22 and 31)				
Other income	47,890	-	91,014	1
Other gains and losses	67,143	1	(13,608)	-
Finance costs	<u>(126,827)</u>	<u>(1)</u>	<u>(14,639)</u>	<u>-</u>
Total non-operating income and expenses	<u>(11,794)</u>	<u>-</u>	<u>62,767</u>	<u>1</u>
LOSS BEFORE INCOME TAX	(1,682,917)	(14)	(1,543,471)	(15)
INCOME TAX BENEFITS (Notes 4, 5 and 23)	<u>(132,891)</u>	<u>(1)</u>	<u>(59,609)</u>	<u>(1)</u>
NET LOSS FOR THE YEAR	<u>(1,550,026)</u>	<u>(13)</u>	<u>(1,483,862)</u>	<u>(14)</u>
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	(72,632)	(1)	(415,325)	(4)
Unrealized loss on available-for-sale financial assets (Note 21)	<u>(28)</u>	<u>-</u>	<u>(11,145)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(72,660)</u>	<u>(1)</u>	<u>(426,470)</u>	<u>(4)</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (1,622,686)</u>	<u>(14)</u>	<u>\$ (1,910,332)</u>	<u>(18)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of CMMT	\$ (1,226,260)	(11)	\$ (1,483,921)	(14)
Non-controlling interests	<u>(323,766)</u>	<u>(3)</u>	<u>59</u>	<u>-</u>
	<u>\$ (1,550,026)</u>	<u>(14)</u>	<u>\$ (1,483,862)</u>	<u>(14)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of CMMT	\$ (1,269,892)	(11)	\$ (1,794,388)	(17)
Non-controlling interests	<u>(352,794)</u>	<u>(3)</u>	<u>(115,944)</u>	<u>(1)</u>
	<u>\$ (1,622,686)</u>	<u>(14)</u>	<u>\$ (1,910,332)</u>	<u>(18)</u>
LOSS PER SHARE (Note 24)				
Basic loss per share	<u>\$ (2.18)</u>		<u>\$ (2.88)</u>	
Diluted loss per share	<u>\$ (2.18)</u>		<u>\$ (2.88)</u>	

(Concluded)

Attachment3: (CMMT Materials Technology Corp.: 2017 and 2016 Individual financial statements and audit reports)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of CMMT (Note 21)										
	Share Capital			Retained Earnings			Other Equity		Total	Non-controlling Interests	Total Equity
	Shares (In Thousand)	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchanges Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2016	515,729	\$ 5,157,285	\$ 400,487	\$ 980,245	\$ 36,849	\$ 6,028,852	\$ 96,357	\$ 11,137	\$ 12,711,212	\$ 221,941	\$ 12,933,153
Appropriation of prior year's earnings											
Legal reserve	-	-	-	104,879	-	(104,879)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(257,864)	-	-	(257,864)	-	(257,864)
Differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	-	-	3,062	-	-	-	-	-	3,062	(3,062)	-
Changes in equity of subsidiaries	-	-	50,212	-	-	-	-	-	50,212	2,178,363	2,228,575
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	6,000	6,000
Net loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	-	-	(1,483,921)	59	(1,483,862)
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(299,353)	(11,114)	(310,467)	(116,003)	(426,470)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	(299,353)	(11,114)	(1,794,388)	(115,944)	(1,910,332)
BALANCE AT DECEMBER 31, 2016	515,729	5,157,285	453,761	1,085,124	36,849	4,182,188	(202,996)	23	10,712,234	2,287,298	12,999,532
Appropriation of prior year's earnings											
Special reserve	-	-	-	-	166,124	(166,124)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	5,876	5,876
Net loss for the year ended December 31, 2017	-	-	-	-	-	(1,226,260)	-	-	(1,226,260)	(323,766)	(1,550,026)
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(43,609)	(23)	(43,632)	(29,028)	(72,660)
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(1,226,260)	(43,609)	(23)	(1,269,892)	(352,794)	(1,622,686)
Issue of common shares for cash	150,000	1,500,000	403,007	-	-	-	-	-	1,903,007	-	1,903,007
Disposals of subsidiaries	-	-	-	-	-	-	381	-	381	(4,839)	(4,458)
BALANCE AT DECEMBER 31, 2017	<u>665,729</u>	<u>\$ 6,657,285</u>	<u>\$ 856,768</u>	<u>\$ 1,085,124</u>	<u>\$ 202,973</u>	<u>\$ 2,789,804</u>	<u>\$ (246,224)</u>	<u>\$ -</u>	<u>\$ 11,345,730</u>	<u>\$ 1,935,541</u>	<u>\$ 13,281,271</u>

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,682,917)	\$ (1,543,471)
Adjustments for:		
Depreciation expenses	968,042	829,672
Amortization expenses	40,077	22,444
Impairment loss recognized on accounts receivable	-	1,523
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(2,457)	19,550
Finance costs	126,827	14,639
Interest income	(21,474)	(42,773)
Gain on disposal of property, plant and equipment	(36)	(121)
Recognition of provisions	9,564	11,734
Net gain on disposal of available-for-sale financial assets	(45)	(24,761)
Gain on disposal of subsidiaries	(1,303)	-
(Reversal of) write-down of inventories	(2,182)	241,593
Impairment loss recognized on property, plant and equipment	-	291,090
Net gain on foreign currency exchange	(22,778)	(530,644)
Changes in operating assets and liabilities:		
Notes receivable (including related parties)	(488,957)	-
Accounts receivable	(173,360)	557,976
Other receivables (including related parties)	(54,497)	(61,093)
Inventories	(229,981)	(158,351)
Prepayments	13,550	(213,508)
Other current assets	(243,413)	(373,443)
Other non-current assets	(10)	-
Notes payable	132,463	-
Accounts payable	40,989	140,977
Other payables	35,897	(44,541)
Provisions	(1,647)	(10,087)
Other current liabilities	(7,017)	(445)
Cash used in operations	(1,564,665)	(872,040)
Interest paid	(119,510)	(14,794)
Income tax paid	(6,371)	(142,302)
Net cash used in operating activities	<u>(1,690,546)</u>	<u>(1,029,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(3,825,470)	(1,846,800)
Proceeds from sale of financial assets designated as at fair value through profit or loss	3,973,837	1,686,044
Purchase of available-for-sale financial assets	-	(1,889,200)
Proceeds from sale of available-for-sale financial assets	12,045	2,086,029

(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Net cash inflow on acquisition of subsidiaries	\$ 5,343	\$ -
Net cash outflow on disposal of subsidiaries	(13,861)	-
Payments for property, plant and equipment	(1,686,527)	(3,285,992)
Proceeds from disposal of property, plant and equipment	393	3,951
(Increase) decrease in refundable deposits	(9,939)	1,541
Payments for intangible assets	(29,760)	(19,281)
(Increase) decrease in other financial assets	(134,707)	869,553
Decrease (increase) in other non-current assets	1,366	(3,872)
Increase in prepayments for equipment	(148,130)	(344,874)
Interest received	<u>21,550</u>	<u>44,747</u>
Net cash used in investing activities	<u>(1,833,860)</u>	<u>(2,698,154)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	291,592	1,832,269
Proceeds from short-term bills payable	100,000	-
Proceeds from long-term bank loans	1,412,173	1,345,181
Proceeds from guarantee deposits received	86	10
Dividends paid to shareholders	-	(257,864)
Issue of cash dividends from capital surplus	1,903,007	-
Changes in non-controlling interests	<u>-</u>	<u>2,234,575</u>
Net cash generated from financing activities	<u>3,706,858</u>	<u>5,154,171</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(26,676)</u>	<u>(17,508)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	155,776	1,409,373
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,341,520</u>	<u>2,932,147</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,497,296</u>	<u>\$ 4,341,520</u>

(Concluded)

Attachment4 Issuing Method of Restricted Employee Shares for Paid Purchase

Article I. Purpose of issuance

In a bit to retain talents, boost morale among employees, and enhance esprit de corps and reach the ultimate goal of creating profits for CMMT Corp. (hereinafter referred to as the Company) and shareholders, the Company hereby, based on Article 267 of the Company Act and the *Regulations Governing the Offering and Issuance of Securities by Securities Issuers* promulgated by the Financial Supervisory Commission, stipulates *2018 Method of Issuing New Restricted Employee Shares: Paid Purchase* (hereinafter referred to as the Method).

Article II. 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 III. Qualification requirements for employees and the number of purchase

Official Employees starts working before New Restricted Employee Shares Grant day. The actual implementation of this measure depends on the number of employees who subscribe to New Restricted Employee Shares pursuant to the present Measures, and the factors, such as seniority, position, grade, performance, overall contribution, special merit or other management needs, will be included. Consideration of the company's operational needs and business development strategies are reviewed by the board of directors and submitted to the board of directors for resolution; managers and directors with employee status should first be approved by the Compensation Committee °

The company has issued the employee stock option certificate in accordance with the first paragraph of Article 56(1) of the disposal criteria that cumulative number of shares subscribed by the single option holder, and the total amount of New Restricted Employee Shares 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 disposal criteria, 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 central governing agencies, the total amount of a single employee's employee share option certificate and New Restricted Employee Shares may not be limited by the percentage of issued shares as mentioned above.

Article IV. Total amounts (shares) of issuance

The total amount of the restricted employee shares referred to in the Method is of NT\$200,000,000, at NT\$10 par value, a total of 20,000,000 common stocks issued.

Article V. Issue conditions

- I. Type of the issued share: Common Stock.
- II. Issue price : Paid issuance, NTD 6 per share

Attachment4 Issuing Method of Restricted Employee Shares for Paid Purchase

III. Vesting conditions: Employees who subscribed to New Restricted Employee Shares in accordance with the Measures continued to work on the following vested terms from the date of grant, made good service codes, had not violated the company's labor contract, work rules or internal regulations, and had their terms expire before the vested deadline expires and with annual individual performance appraisal graded B and above. New shares will be received respectively on the basis of the following schedule and the proportion of shares subscribed.

- (1) One year vested: 30% of shares subscribed
- (2) Two year vested: 30% of shares subscribed
- (3) Three year vested: 40% of shares subscribed

For managers, in addition to the requirements of the preceding paragraph, the vested ratio must also be determined by their prior year performance upon vested period according to the following conditions:

- (1) Achieve profit target: ratio of subscribed shares of each vested term x100%
- (2) Less than profit target and no loss: ratio of subscribed shares of each vested term x 80%
- (3) do not meet the aforementioned two statements, but EBITDA is positive 50%: ratio of subscribed shares of each vested term x 50%

IV. Restricted rights before employees meet the vesting conditions:

- (1) Before the vested conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of New Restricted Employee Shares that they subscribe to in accordance with the Measures.
- (2) Restriction on Shareholders (subscription) stock dividends: New Restricted Employee Shares issued by the Measures may participate in allotment, interest-bearing, cash-increment and share-holding prior to the subscription and before reaching the vested conditions.
- (3) During the vest period, if the company carried out a capital reduction, New Restricted Employee Shares 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 vested condition is fulfilled; if the employee does not meet the vested condition, all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price.
- (4) After New Restricted Employee Shares were subscribed but the vest condition has not been fulfilled, the stocks should be entrusted to the trust depository institution. Employees may not request return from the trustee for any reason or method.
- (5) Before vest condition is 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 depository institution to exercise.

Article VI. Measures to be taken when employees fail to meet the vesting conditions or in the

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event of inheritance:

- (1) For employees who subscribe to New Restricted Employee Shares pursuant to the present Measures, or have fully vested complying with Article 5(3) but failed to meet the performance appraisal criteria, all of their shares purchased pursuant to these Measures shall be purchased by the Company at the original subscription price and shall be cancelled.
- (2) Leave without pay: For employees who subscribe to New Restricted Employee Shares pursuant to the present Measures applied for parental leave, injury/sick leave and military service leave shall be deducted from the actual number of days of work and shall be deferred to calculate the number of shares granted in accordance with these Measures. During the term of office, if the calculated period of service has reached the vested period specified in Article 5, the outcome of the latest performance is used to decide whether to achieve vested conditions. Those who have not achieved the vested conditions of performance or have stayed for other reasons are to comply with condition (1) of this article.
- (3) Voluntary resignation: For employees who subscribe to New Restricted Employee Shares pursuant to the present Measures voluntarily apply for resignation and the resignation does not reach the vested conditions set out in Article 5. From the effective date of the resignation, all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price and shall all be cancelled.
- (4) Lay-off (or dismissal): For employees who subscribe to New Restricted Employee Shares pursuant to the present Measures subsequently were laid-off (or dismissed) in accordance with the relevant provisions of the Labor Standards Act, and the lay-off (or dismissal) effective date does not meet the vested condition defined by article 5, from the effective date of the lay-off (or dismissal), all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price and shall all be cancelled.
- (5) Retirement: For employees who subscribe to New Restricted Employee Shares pursuant to the present Measures subsequently applied for retirement and effective date of retirement does not meet the vested condition defined by article 5, from the effective date of the retirement, all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price and shall all be cancelled.
- (6) Death: For employees who subscribe to New Restricted Employee Shares pursuant to the present Measures subsequently died and date of death does not meet the vested condition defined by article 5, from the date of death, all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price and shall all be cancelled.
- (7) Employees who cannot continue to work due to physical disabilities caused by occupational hazards: For employees who subscribe to New Restricted Employee Shares

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pursuant to the present Measures, subsequently stopped working due to physical disabilities caused by occupational hazards on the date they left the jobs and they do not meet the vested condition defined by article 5, all shares the employees subscribed in accordance with the Measures shall be bought back by the company based on the original subscription price and shall all be cancelled.

(8) Death due to occupational hazards: it may be handled as a separate case. The chairman of the board of directors verifies whether the inheritor of the employee inherits the shares granted by him and verifies that the vested period is fulfilled on the date of grant of the employee or at the beginning of the inheritance. The approved successor, immediately after the succession of his legal heirs to the succession, follows the relevant provisions of the inheritance code of the civil law and the “Criteria Governing Handling of Stock Affairs by Public Stock Companies”, completes the necessary statutory procedures, and provides relevant supporting documents to obtain the above described Shares, but their share disposal rights shall still be subject to the limitation of the vested period approved by the chairman of the board of directors.

(9) Transfer: When employees apply for transfer to an affiliated company or other company (except for a subsidiary) on their own, the non-vested portion for New Restricted Employee Shares subscription shall be treated in the same manner as those who leave the company. If, as required by the company's operations, the employee is transferred to a related company or other company (other than a subsidiary company), its rights to subscribe for new shares will not be affected by the transfer; but it still needs to be restricted subject to the third vested conditions. And the employee shall continue to serve the assigned affiliated company, or other companies (except for subsidiaries), and their personal performance evaluation by the company's chairman of the reference to the company's performance assessment to verify whether the vested conditions.

Article VII. 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 VIII. Confidentiality clause

Employees purchasing the new restricted shares in accordance with the Methods are subject to the Company's confidential provisions on salary. Employees should not inquire or make known details and the number of the purchased new restricted shares unless the inquiry and revelation are required by competent authorities. Any violations of such should be punished by the Company based on the severity of the infringement.

Article IX. Trust registration of stock

The new restricted employees shares purchased in accordance with the Method should be fully authorized to the Company during the trust period to handle matters between the employees and the stock trust institutions such as negotiation, signing, amendment, extension, recession, and termination as well as the transfer and disposal of the trusted assets (share and cash), and other

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behaviors stipulate in the Method.

Article X. Other important agreements

- I. The Method has been approved by over 1/2 of the directors presented at the Board Meeting, which is attended by more than 2/3 of the Board members. Should rectifications to the Method be needed due to laws or requirements from competent authorities after examination, the chairman should be authorized to amend the Method first and report the amendments to the Board for ratification before promulgation.
- II. Unless stipulated elsewhere in related laws, the Board or its designated person should have full jurisdiction over matters that are not covered by the Method to amend the provisions and make rulings according to the related laws.