

CMMT MATERIALS TECHNOLOGY CORP. 2018 Annual Shareholders' Meeting

Date : June 22,2018

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



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2018 Annual Shareholders' Meeting Agenda

1. The Chairman Calls the Meeting to order
2. Chairman's Address
3. Report Items
4. Proposed Resolutions
5. Matters for Discussion
6. Election Items
7. Other Proposals
8. Extemporaneous Motions
9. Meeting Adjourned

2018 Annual Shareholders' Meeting Agenda

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)

- 1.The Chairman Calls the Meeting to order
- 2.Chairman's Address
- 3.Report Items
 - (1)To report the business of 2017
 - (2)2017Audit Committee's review report
- 4.Proposed Resolutions
 - (1)2017 Business Report & Financial Statements Report
 - (2)2017 Appropriation of profit & loss
- 5.Matters for Discussion
 - (1)To conduct the issuance of cash capital increase through new common shares to sponsor the issuance of global depositary receipts.
 - (2)To conduct the issuance of Restricted Employee shares
 - (3)Company Act amendment
- 6.Election Items
 - (1)Directors Election
- 7.Other Proposals
 - (1)Act of canceling the non-compete restriction on manager
- 8.Extemporary Motions
- 9.Meeting Adjourned

Report Items

Case 1. To report the business of 2017

Explanation: Refer to Appendix 1, page 12 to 14

Case 2. 2017 Audit Committee's review report

Explanation: Refer to Appendix 2, page 15

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 Deloitte Taiwan to issue and archive relevant audit reports.
2. Refer to page 12 to 14 of Appendix 1 and page 16 to 35 of Appendix 3 for business reports, audit reports issued by accountants, and the proceeding financial statements.
3. Please confirm and acknowledge.

Resolution :

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

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

3. Please confirm and acknowledge.

Resolution :

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 competitiveness 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 :

Case 2. (Proposed by the 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 x100%
 - (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 depositary 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 page 36 to 40 of 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：

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 Mei Materials Technology Corp.</u> ”	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
Article 5 The total capital amount of the Company shall be <u>twelve billion New Taiwan Dollars (NT\$12,000,000,000)</u> , divided into <u>one point two billion (1,200,000,000) shares</u> , 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 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 5 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
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 :

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, JieYang 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:

Other Proposals(Proposed by the Board of Directors)

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

Explanation :

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

Extemporaneous Motions

Meeting Adjourned

【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 (%)		-13.55
	After tax loss per share (NT\$)		-2.18

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

附件一

Company is NT\$23.46 billion with the debt to total capital ration being 43.38%. The overall financial structure is still acceptable.

附件一

(III) Status of production and R&D

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.

附件一

(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,

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;

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.

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.

CHI MEI MATERIALS TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016		LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 27)	\$ 3,097,639	21	\$ 1,483,983	9	Short-term bank loans (Notes 14, 26 and 27)	\$ 1,151,650	8	\$ 2,780,713	17
Accounts receivable, net (Notes 4, 5, 8 and 27)	1,037,473	7	1,373,054	8	Short-term bills payable (Note 14)	100,000	1	-	-
Accounts receivable - related parties (Notes 4, 5, 8, 27 and 28)	1,587,599	10	3,184,599	20	Financial liabilities at fair value through profit or loss -				
Other receivables (Note 8)	156,278	1	98,949	1	current (Notes 4, 7 and 27)	349	-	19,822	-
Other receivables - related parties (Notes 8 and 28)	160,543	1	77,972	-	Accounts payable (Notes 15 and 27)	1,937,631	13	1,861,407	12
Inventories (Notes 4, 5 and 9)	1,528,086	10	1,587,974	10	Accounts payable - related parties (Notes 15, 27 and 28)	139,587	1	350,260	2
Other current assets (Note 13)	<u>35,200</u>	-	<u>56,478</u>	-	Other payables (Note 16)	357,723	2	373,591	2
					Other payables - related parties (Note 28)	5,346	-	2,791	-
Total current assets	<u>7,602,818</u>	<u>50</u>	<u>7,863,009</u>	<u>48</u>	Provisions - current (Notes 4 and 17)	12,197	-	3,380	-
					Advance receipts - related parties (Notes 16 and 28)	18,283	-	646	-
NON-CURRENT ASSETS					Other current liabilities (Note 16)	<u>11,038</u>	-	<u>27,304</u>	-
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	Total current liabilities	<u>3,733,804</u>	<u>25</u>	<u>5,419,914</u>	<u>33</u>
Other intangible assets (Notes 4 and 12)	30,808	-	22,077	-					
Deferred tax assets (Notes 4, 5 and 21)	53,707	1	-	-	NON-CURRENT LIABILITIES				
Other non-current assets (Note 13)	<u>49,423</u>	-	<u>46,495</u>	-	Deferred tax liabilities (Notes 4, 5 and 23)	-	-	82,759	1
					Guarantee deposits	<u>75</u>	-	<u>85</u>	-
Total non-current assets	<u>7,476,791</u>	<u>50</u>	<u>8,351,983</u>	<u>52</u>					
					Total non-current liabilities	<u>75</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>	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)

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;

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.

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.

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)

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)

2018 Method of Issuing New Restricted Employee Shares: 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

2018 Method of Issuing New Restricted Employee Shares: Paid Purchase

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

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%

2018 Method of Issuing New Restricted Employee Shares: Paid Purchase

(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 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

2018 Method of Issuing New Restricted Employee Shares: Paid Purchase

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

2018 Method of Issuing New Restricted Employee Shares: Paid Purchase

occupational hazards: For employees who subscribe to New Restricted Employee Shares 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

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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 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 are 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.

ARTICLES OF INCORPORATION
OF
CHI MEI MATERIALS TECHNOLOGY CORP. (BEFORE AMENDMENT)

(English translation, for reference only)

SECTION I GENERAL PROVISIONS

- Article 1 The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be “Chi Mei Materials Technology Corp.”
- Article 2 The scope of business of the Company shall be as follow:
1. CC01080 Electronic Parts and Components Manufacturing
 2. CE01030 Photographic and Optical Equipment Manufacturing
 3. C801990 Other Chemical Materials Manufacturing
 4. F113030 Wholesale of Precision Instruments
 5. F119010 Wholesale of Electronic Materials
 6. F219010 Retail Sale of Electronic Materials
- Article 3 The total amount of the Company’s reinvestment shall not be subject to the restriction of not exceeding 40% of its paid-in capital, and the Company may act as a guarantor.
- Article 4 The Company shall have its head-office in Tainan City, Taiwan and, if necessary, may set up branches in and out of this country upon a resolution of its Board of Directors.

SECTION II SHARES

- Article 5 The total capital amount of the Company shall be seven billion New Taiwan Dollars (NT\$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.
- Article 6 The share certificate of the Company shall all be name-bearing share certificates and shall be affixed with the seals or by signature of at least three (3) directors of the Company, and issued after being duly authenticated pursuant to the law.
- Article 6-1 When issuing new shares, the Company may print a master share certificate representing the total number of shares of such issuance.
The Company may issue shares without printing share certificate(s) in accordance with Article 162-2 of the Company Act, but shall have the shares registered with the Taiwan Depository & Clearing Corporation.
- Article 7 The shareholder services of the Company shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public

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Companies promulgated by competent authority.

SECTION III SHAREHOLDERS' MEETING

- Article 8 Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting. The former shall be convened once a year within six months after the close of each fiscal year and the latter shall be convened whenever necessary. Notices which clearly state the purpose(s) for convening meeting shall be sent to each shareholder at least thirty (30) days in advance, in case of general meetings, and at least fifteen (15) days in advance, in case of extraordinary meetings.
- Article 9 Shareholders' meeting shall be convened by the Board of Directors and, be presided over by the Chairman of the Board of Directors; in case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the Chairman of the Board of Directors shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.
- For the Shareholders' meeting convened by any other person having the convening right, such person shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
- Article 10 Unless otherwise provided under Article 179 of the Company Act which sets forth the situation where the shareholder has no voting rights, a shareholder of the Company shall have one vote for each share held by him/her/it.
- Article 11 In case a shareholder is unable to attend a shareholders' meeting in person, such shareholder may issue proxy in the form printed by the Company, setting forth the scope of authorization for the representative to be present on his/her/its behalf in accordance with Article 177 of the Company Act, or vote in writing or via an electronic voting system in accordance with Article 177-1 of the Company Act.
- Article 12 Unless otherwise provided in the Company Act, a resolution shall be made at the meeting attended by shareholders holding and representing majority of the total number of issued and outstanding shares and at which meeting a majority of the shareholders shall vote in favor of the resolution.
- Article 13 In case the corporate shareholder is the sole shareholder of the Company, the power of the Shareholders' meeting shall be performed by the Board of Directors and shall not subject to the relevant rules of the Shareholders' meeting under this Articles of Incorporation.
- Article 14 The resolutions of the shareholders' meeting shall be recorded in the minutes, and shall be made in accordance with Article 183 of the Company Act.
- Article 14-1 The termination of the Company's being a public company is subject to the shareholders' approval. For so long as the shares are traded on the Emerging Stock

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Market or listed on the Taipei Exchange or the Taiwan Stock Exchange in Taiwan, this article shall not be amended.

SECTION IV DIRECTORS AND SUPERVISORS

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

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

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

Article 15-2 The Company shall set forth the Audit Committee, which comprises of all the independent directors, in accordance with the Securities and Exchange Act. One of independent directors shall be convener, and at least one of whom shall have accounting or financial expertise. The resolution of the Audit Committee shall be made at the meeting in which a majority of the independent directors shall vote in favor of the resolution.

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

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

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

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- Article 16-2 Regardless whether the Company makes profits or suffers loss, the Company may pay the directors the remunerations for their performance their duties. The Board of Directors is authorized to determine such remunerations based on the extent of involvements of the Company's operation and the value of the contribution of the directors and the normal rate adopted by other companies in the same industry., but shall subject to the top level of salary stipulated in the Company's salary determination rule.
- Article 17 The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the directors by majority of directors present at a meeting attended by more than two thirds of directors. The vice Chairman of the Board of Directors may also be elected from among the directors by the same way of the Chairman election. The Chairman shall externally represent the Company and internally perform all his/her duties in accordance with laws and regulations, the Articles of Incorporation, resolutions adopted at meetings of Shareholders and the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice Chairman of the Board of Directors shall act as the Chairman.
- Article 17-1 The meeting of the Board of Directors shall be held at least once every quarter. In convening a meeting of the Board of Directors, a notice indicated the purpose(s) for convening the meeting shall be given to each director no later than 7 days prior to the scheduled meeting date in writing or via e-mail or fax. However, in the case of urgency, the meeting may be convened at any time.
- Article 18 Operational policy of the Company and any other material subject matters should be determined by the Board of Directors. Except for the first meeting of the Board of Directors of every new term, which shall be convened pursuant to Article 203 of the Company Act, all other meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, and shall be presided over by the Chairman of the Board of Directors. In case the Chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice Chairman of the Board of Directors shall act as the Chairman. In case there is no vice Chairman or the vice Chairman of the Board of Directors is on leave or unable to perform his duties for cause as well, the Chairman of the Board shall designate a director to act as the chairman; if no such designation, the directors shall elect one from among themselves.
- Article 19 Unless otherwise provided for by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of a majority of the directors present in a meeting attended by the majority of the total directors. Directors shall attend meetings of the Board of Directors in person. If a director is unavailable to attend a meeting in person, the director may issue a proxy specifying the scope of the authorized powers to authorize another director to attend the meeting on the

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director's behalf, provided that a director may represent only one other director at a meeting.

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

Article 21 (Deleted)

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

SECTION V MANAGERS

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

SECTION VI ACCOUNTING

Article 23 The fiscal year of the Company is from January 1 of each year to December 31 of the same year.

Article 24 After the close of each fiscal year, the Board of Directors shall prepare the following documents and submit the same to the supervisors for auditing on or before thirty (30) days prior to the general shareholders' meeting and then submit to the general shareholders' meeting for acceptance: (1) the business report, (2) the financial statement and (3) the surplus earning distribution or loss off-setting proposals.

Article 25 When the Company allocates the profit of the current year, if any, no less than 2% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 1% of the aforesaid profit as Directors' compensation. The proposals of the employees' compensation and the directors' compensation should be reported on the Shareholders' meeting. Notwithstanding the foregoing, when there are accumulated losses, the profits shall be used to offset accumulated losses first, and then the balance of which may be allocated to employees and directors in accordance with the aforesaid percentage.

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

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

Article 25-1 The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved by the shareholders' meeting.

After taking into account of the Company's current and future development plan, investment environment, fund requirements, and domestic and international competition and the interests of shareholders, the dividend policy of the Company is to set aside no less than 20% of distributable earnings as shareholders' dividends and bonuses. However, in case the accumulated distributable earnings is less than 50% of paid-in capital, the Company may choose not to distribute dividends.

Dividends to common shareholder may be distributed by way of combination of cash dividend and stock dividend provided that the cash dividends shall not be less than 10% of the total dividends.

SECTION VII SUPPLEMENTARY PROVISIONS

Article 26 The internal organization of the Company and the detailed procedures of business operation shall be determined by the Board of Directors.

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

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

Rules on the Shareholders' Meeting

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

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

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

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

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

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

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

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

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

- VII. The chairman should announce the commencement of the meeting at the scheduled time; however, if the present shareholders altogether does not constitute half of the total number of the Company's

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issued stocks, the chairman may postpone the meeting. The number of postponement should be no more than two times and the total time of postponement should be less than an hour. If, after two postponements, the total shareholders present still does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of the Company's issued shares. A notice of such tentative resolution should be distributed to all shareholders in accordance with Paragraph 1 of Article 175 of the Company Act. The Shareholders' Meeting should be reconvened within a month.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- XIX. The chairman is entitled to call for disciplinary personnel or securities to maintain the order of

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the venue. Disciplinary personnel or securities should wear recognizable identifications when performing their duties of maintaining onsite order.

If a shareholder violates the rules on the meeting or impedes the process of the meeting and refuses to obey the chairman's warnings. The chairman is entitled to call for disciplinary personnel or securities to escort the shareholder out of the venue.

- XX. Unless otherwise stipulated in the Company Act and the Corporate Chapter, matters that are not covered by the *Rules on the Shareholders' Meeting* should be subject to the chairman's ruling. A shareholder should find an applicable and legal mean to express his/her/its discontent about this and should not interfere the process of the meeting deliberately.
- XXI. The *Rules on the Shareholders' Meeting* has been ratified, implemented, and amended with the Board's resolution.
- XXII. The *Rules on the Shareholders' Meeting* was stipulated on June 24, 2008. The 1st amendment was on October 16, 2009, the 2nd amendment was on June 27, 2013, and the 3rd amendment was June 9, 2015.

Electoral Method for Director

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

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

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

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

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

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

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

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

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

If a director resigns because of a particular reason, rendering the number of the director less than five, the Company should hold an election in the next Shareholders' Meeting. However, if the

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vacancy of the Board reaches one-third of the seats stipulated in the chapter, the Company should convene a Special Shareholders' Meeting to hold an election within 60 days starting from the date on which the incident takes places. If an independent director resigns because of a particular reason, rendering the number of the independent director less than that stipulated in the provisions of competent authorities or charters, an election should be held in the next Shareholders' Meeting. When all of the independent resign from duty, the Company should convene a Special Shareholders' Meeting to hold an election within 60 days starting from the date on which the incident takes places.

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

Appendix 4

CMMT MATERIAL TECHNOLOGY CORP. Shareholdings of All Directors

I. As of the end date (April 24, 018) of transfer of this Shareholders' Meeting, the Company's paid-in capital is NT\$6,657,285,000 and the number of shares issued is 665,728,500. According to Article 26 of the Securities and Exchange Act, the minimum number of shares to be held by all directors should be 21,303,312.

II. As of the end date (April 24, 018) of transfer of this Shareholders' Meeting, the shareholding status of all of the Company's directors is as follows:

Title	Account name	Number of shares	Shareholding ration %
Chairman	Jau-Yang Ho	350,906	0.05%
Deputy Chairman	Chun-Hsiung Chen	0	0%
Director	Chi-Pan Liang	0	0%
Independent director	Lai-Huang Lo	0	0%
Independent director	Wei-Ting Liu	0	0%
total		350,906	0.05%

Note:

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

Appendix 5: Other Explanation Information

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

II. Explanation on not listing the proposal of shareholders representing one percent of the Company's total issued shares:

The Company did not receive any proposal from shareholder during the application period (from April 16, 2018 to April 25, 2018).

III. Information on remuneration of employees and directors:

Not applicable, because the Company did not distribute remuneration for employees and directors in 2017.